

# ESTABLISHING THE SOCIAL SECURITY ADMINISTRATION AS AN INDEPENDENT AGENCY

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Y 4. F 49: S. HRG. 103-449

Establishing the Social Security Ad...

## HEARING BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE ONE HUNDRED THIRD CONGRESS FIRST SESSION

SEPTEMBER 14, 1993



Printed for the use of the Committee on Finance

U.S. GOVERNMENT PRINTING OFFICE

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# **ESTABLISHING THE SOCIAL SECURITY ADMINISTRATION AS AN INDEPENDENT AGENCY**

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**TUESDAY, SEPTEMBER 14, 1993**

**U.S. SENATE,  
COMMITTEE ON FINANCE,  
Washington, DC.**

The hearing was convened, pursuant to notice, at 9:34 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Daniel Patrick Moynihan (chairman of the committee) presiding.

Also present: Senators Pryor, Riegle, Rockefeller, and Grassley.  
[The press release announcing the hearing follows:]

[Press Release No. H-30, September 9, 1993]

## **FINANCE COMMITTEE TO HOLD HEARINGS ON PROPOSAL TO ESTABLISH SOCIAL SECURITY ADMINISTRATION AS AN INDEPENDENT AGENCY**

WASHINGTON, DC—Senator Daniel Patrick Moynihan (D-NY), Chairman of the Senate Finance Committee, announced today that the Committee will hold a hearing on his proposal to make the Social Security Administration (SSA) an independent agency. Health and Human Services Secretary Donna E. Shalala will be among those testifying at the hearing.

The hearing is scheduled for *Tuesday, September 14, 1993 at 9:30 a.m.* in room SD-215 of the Dirksen Senate Office Building.

Senator Moynihan proposes to remove SSA from the Department of Health and Human Services and establish it as a free-standing agency of the Executive Branch. Under the proposal, the agency would be headed by a Presidential appointee who would be advised by a part-time, bipartisan advisory board.

Standing alone, SSA would be one of the largest agencies in the Federal Government, with 64,000 employees working in a national network of 1,300 field offices and with an annual budget of nearly \$300 billion.

"Social Security is our most important and successful domestic program and we must take better care that it is properly administered," Senator Moynihan said. "With this proposal we hope to increase public confidence in Social Security by giving the agency more visibility and accountability, by improving administrative efficiency, and by insulating the program from politics."

## **OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, A U.S. SENATOR FROM NEW YORK, CHAIRMAN, COMMITTEE ON FINANCE**

The CHAIRMAN. A very good morning to our guests. I apologize for being a moment late with the singular report that the Congressional leadership is giving coffee to Mr. Arafat this morning. The world changes.

We are talking about changing that. One of the nice uses of the word reform is that it refers to restoring to an earlier good state. And although not everyone is going to agree, this is a proposal to consider legislation to establish the Social Security Administration

as an independent agency, in effect the structure in which it began in the 1930's.

We see the reputable Robert J. Myers with us today, who was there when it began. We will hear more from him in just a moment.

This bill has passed the House of Representatives three times, I believe; and it has been reported out of this committee twice. It is a bipartisan measure in both bodies of Congress. It responds to our sense that we have a genuine administrative problem.

I should welcome Larry Thompson, who is the Acting Commissioner, who knows more about this than any member of this committee will ever do.

It is a fact that over the years the Social Security Administration has found itself isolated and removed from the rest of government, in both a managerial sense and also in a physical sense. It is in Baltimore. Their office is in Washington, but basically it is at another place.

In one sense it works very well and in another sense it does not work well at all. I think part of that is the isolation and part of it is another point I'll come to in a moment.

On the isolation, the payment of benefits has reached a high degree of efficiency. I think I see the Acting Commissioner, Mr. Thompson, nodding. We have an administrative cost of about 1 percent. Is that about right?

Mr. THOMPSON. On the old age.

The CHAIRMAN. Yes.

Mr. THOMPSON. And higher for disability.

The CHAIRMAN. In the mailing of benefit checks.

Secretary SHALALA. Right.

The CHAIRMAN. These have gone out for 53 years now and they have never been a day late or a dollar short. I wish to know more about these, things than I do. But the people out there in Baltimore, knowing that the checks are mailed, they arrive on time, they are always cashed, think that is enough. And it does not bother them that the majority of nonretired adults do not think there will be any check for them.

It is a matter of distance. It is not bureaucratic arrogance. It was not, "stupid, we know better than you do." It is just, "do not worry. You will get it."

And they do not understand that in this setting, if people do not think they are going to get their benefits, they will not mind their being taken away. This has been our most successful of programs and yet here it is after half a century with a level of confidence that is devastating.

We have made passing efforts at this committee to raise the level of public awareness and competence. I remember, it would be 10 years ago, that I was able to get a measure adopted providing for a tamper-proof card. A real card that you could say, here is my Social Security card. It is just as good as my American Express card. It looks like something that matters, rather than this piece of paste board that got started in the 1930's.

This was done on an immigration bill because they print these things in Tijuana by the tens of thousands and it was meant to



give legal residents and legal immigrants a way in which to show an employer they could with confidence hire that person.

A year went by and 1 day I received in the mail the new tamper-proof card. It was the same old piece of paste board, but with this innovation, that there were invisible fibers implanted in the paste board, such that they were immediately recognizable, identifiable in an FBI lab.

Now that is bureaucratic insolence. They are saying, beat it, Senators, we do not care what you think.

I went through awful efforts to try to get an annual statement, a simple annual statement, that would tell people what they had paid, what their benefits would be, survivors' benefits, which not everybody knows they have—most people probably do not know they have—disability benefits, probable retirement benefits at the rate you are going.

The agency did not want to do that. The Social Security Administration did not want to do it. They positively did not want anybody to know. I have had Senators who I occasionally get one of these for say, my God, that is an extraordinary thing. But the Social Security Administration did not want to do it.

I have a note from the President of the United States saying it is a good idea, but it is not going to happen until there is an independent agency.

The other event that has taken place, and it has been very painful, has been the development of a huge trust fund surplus, which has immediately been appropriated by the Office of Management and Budget as revenue. We are using this as general revenue in a mode that is shameless and will in the end undermine the integrity of this system.

I see my friend Senator Riegle is here.

There is nobody in the government who will fight for the principle of contributory insurance. The Department of Health and Human Services has become a department of health. The two previous Secretaries were medical doctors and our distinguished incumbent will be spending much of her time, if not most of it, on health in the years ahead.

Social insurance has no status in this government. Nobody protects it. In this last legislation which we had to put through this committee—and it was a painful exercise as Senator Riegle will attest—the good office of Management and Budget just blatantly, I mean without so much as a feeling that they need to apologize, arranged to raise revenues by taking the cap off the income levels at which you pay health insurance, in which you pay into the HI trust fund, completely separating the principle of contribution to benefit, just wiping it out.

Nobody protested, could care less. It is a way of raising money to do other things. It has nothing to do with social insurance. Nobody speaks for social insurance. We are going through this vast exercise about health insurance while the foundation of the system, Social Security, is being allowed to erode. The principles are eroding. Confidence is eroding.

Ask anyone when the trust funds will be, are now being, spent. We have three national organizations mailing terrifying letters. Some, not all of these, but some of them. Telling people, you are

not going to get your Social Security. They are spending it right now. And, of course, that is true.

The quintessential fact is that here we are and in about—14 days, 16 days—the job of Commissioner of Social Security Administration will have been empty for 1 year. It has in effect been empty half the time.

I have been on this committee 17 years. There have been 12 Commissioners or Acting Commissioners. There is no leadership. There is no one who can say no to OMB. The Secretary of Health, if that person can, that person does not.

And three times the House has said they want an independent agency. Twice this committee has done so. We think the time has come to address the subject once again. I am sorry to have talked longer than I meant.

[The prepared statement of Senator Moynihan appears in the appendix.]

The CHAIRMAN. Senator Riegle, good morning, sir.

#### OPENING STATEMENT OF HON. DONALD W. RIEGLE, JR., A U.S. SENATOR FROM MICHIGAN

Senator RIEGLE. Thank you very much, Mr. Chairman. The sentiments that you express convey the feeling that I, too, have. We have talked about this a great deal and we have been working in a sense in tandem on this to try to make Social Security an independent agency.

I think everybody in the country, the seniors, but everybody else who hopefully someday will be seniors, and many of the young people who get the protections now for disability and things of that kind, need to know that the system is solidly based, it is financially strong and well administered.

I think the only way, even in terms of the basic day-to-day operation of Social Security, that we are ever going to have the latitude to do the administrative work, the day-in and day-out administrative work properly such as answer the phones, answer questions, get good information out to people—is when the agency is independent, can manage more directly its own affairs, when it needs staff—as it does now in my view; I think there are staff shortages—to be able to hire those people, get them out where they need to be.

I think the one area of government that when somebody calls with an inquiry or a concern or a question that needs to be answered, that they ought to be able to get a direct immediate, clear answer is from the Social Security Administration.

They should not get a busy signal or they should not get a long line to stand in or in any sense of the word a “brush off” because the load of inquiries are just too great to be handled.

I also think politics has affected the program. I think by means of taking all the Social Security surplus and being able to use it in effect for deficit reduction or pay for other programs in the budget discipline has tended to politicize Social Security. It gets it caught up in this question of either deficit reduction or either finding money for someone’s pet program in a different area or trying to avoid cuts that otherwise should happen.

And Social Security should not be caught in that dilemma. It should be taken to the side. It has a clearly expressed purpose. That purpose ought to be maintained with integrity.

The only way I know to do that is to really make Social Security an independent agency, remove it from the unified budget so you cannot go through this budget game; and also remove it from reconciliation, so that you do not have the situation of trying to take and chisel out some money in the budget arithmetic and, in fact, use it for something unrelated to Social Security.

I think if you were to do a poll today of the things that people in the country support about government, at the top of the list would be Social Security. And there are such polls that have been done. But if there is one thing people of the country want and see the importance of, it is the Social Security system.

So they want it maintained. They do not want it undermined or chiseled away by politics, budget mechanics and political dog fights and so forth. This is one thing that they want done.

I find that even in the case of younger workers today that they see the value of Social Security. Most have parents that are further down the time track. They see that or they know someone else who has either suffered a disability or a spouse has been killed in a car wreck or something, a surviving family who receives the protections that come with that part of Social Security.

So it really is a contract and a bond between the generations that is in the interest of every citizen of the country.

I must go shortly to convene a meeting of the Senate Banking Committee where I serve as Chairman, but I want to stress very strongly to you, Mr. Chairman, and also to the Secretary, that I will do everything I possibly can to help strengthen your hand with respect to Social Security.

I think we have to find the best people. I think we have to stop this revolving-door problem the Chairman speaks about where nobody is really there long enough to provide the kind of stewardship and the kind of advocacy that is needed.

You understand this. You bring the kind of commitment to what Social Security is designed to do that I do not know we have always seen in our Secretaries. I see it in you. So I have confidence in your commitment to do this.

I want to make sure the President, too, understands how important this is. He has not served as a Federal office holder before and he may or may not yet fully understand how important it is. I think he has to rely in large part on you to really get this up on the radar screen so it is not part of a jumble of more issues than people can count.

It is a very special area of our governmental responsibility. We need help. We need help to strengthen the system and give it the muscle, give it the independent standing that it ought to have. We will help you here. I certainly will.

Thank you.

The CHAIRMAN. Thank you very much, sir. Again, may I just say that you have to leave, Mr. Chairman. Senator Packwood is at the White House with many of his colleagues on the House side. The Senate does not have its first vote until 2:15 today and not every-

body is in town. Besides, we have been through this before, this committee.

Senator Packwood would like me to announce that he is for this bill and we are going to report this bill out.

Let us hear our distinguished witnesses. First of all, of course, Dr. Shalala, we welcome you, Madam Secretary; and Mr. Thompson, who is with you.

**STATEMENT OF HON. DONNA E. SHALALA, PH.D., SECRETARY OF HEALTH AND HUMAN SERVICES, WASHINGTON, DC, ACCOMPANIED BY LAWRENCE H. THOMPSON, ACTING COMMISSIONER OF THE SOCIAL SECURITY ADMINISTRATION**

Secretary SHALALA. Thank you. Thank you very much, Mr. Chairman. Thank you, Senator Riegle.

Mr. Chairman, I am honored to be here this morning to share with you our vision for what I believe is the single greatest domestic achievement in the history of our Nation—Social Security.

I am not here, Mr. Chairman, to sell you on the critical importance of this program. You, more than anyone in this Nation, have carried the torch that Frances Perkins lit almost 60 years ago.

Since its inception in 1935 and the payment of its initial benefits in 1940, Social Security has grown to serve over 41 million Americans. Our extraordinary program of social insurance has continuously widened its circle of service decade after decade—from its original role of protecting workers in industry and commerce when they retired, to its new role today to protect virtually all workers and their families when they retire, become disabled or die.

Frankly, it is inspiring that this centerpiece of the New Deal has fulfilled its noble promise and has been living proof for over half a century that government can work for its people.

Yet, as you have so correctly and consistently pointed out, Social Security now faces serious challenges. Strong, committed and competent leadership is required to protect the integrity of the Social Security Trust Funds, to improve the delivery of Social Security Administration services, and thus to restore public confidence in the Social Security system.

I want to personally reaffirm my commitment to use every resource at my disposal to meet these challenges. And with all due respect, Mr. Chairman, I sincerely believe that these urgent challenges can be best achieved by maintaining the Social Security Administration within the Department of Health and Human Services. It is here that Social Security and its beneficiaries are assured the top Cabinet level leadership, attention and support that they need and deserve.

The very importance of Social Security to our society demands that it be addressed by our new administration at the highest level. Under the leadership of President Clinton, this is an administration that values what government can and should do for its citizens.

We are eager to take on the difficult, but necessary, challenges to make government work better. Solutions will not come easily or quickly, but we are committed to making the tough decisions necessary to restore the public's waning confidence in Social Security and other essential public programs.

Mr. Chairman, under my leadership, I pledge to you that Social Security will always have a prominent voice at the Cabinet table. It will always be given the priority and attention it deserves in our policy debates. You are looking at one Cabinet member who is not shy. So I will speak—and even argue and pound the table—to promote the health and welfare of the American people, especially our retired and disabled citizens.

Distancing SSA from the Cabinet by establishing it as an independent agency would seriously dilute the attention and support it will receive at the highest level of our government. In an increasingly complex world, I believe we should be gravely concerned about denying Social Security a strong and visible place at the President's table.

Further, Mr. Chairman, I believe that separating SSA from HHS and establishing it as an independent agency would run counter to the public's demand for a leaner, more efficient, and more cost-effective government. At a time of severely limited resources, it would require establishing duplicate payroll, personnel and other support structures now provided under the umbrella of HHS.

Moreover, the complicated process of creating a new agency would be extremely disruptive and would divert attention from the real challenges we face in our great social insurance program. It would, I believe, greatly hinder crucial efforts to better coordinate and integrate the many health and human service policies that affect millions of Americans.

We must strengthen—not further fragment—the links between Social Security and Medicare, Medicaid, the Administration on Aging, and Aid to Families with Dependent Children. This is particularly important as we are poised to debate how best to reform the basic structure of health care, welfare and the delivery of all government services.

I firmly believe that maintaining SSA within HHS is absolutely essential to our efforts to reform and streamline government services, and to make them more efficient, effective and customer-friendly.

I have personally reviewed many of SSA's operations and talked candidly with the employees there. I recognize the problems and difficulties we face at SSA and have already taken many steps to address them. We will pursue these efforts with vigor because I am convinced that if we plant the seeds of success through hard work and dedication to quality service, we will eventually reap the harvest of renewed public confidence.

Mr. Chairman, I very much want to take on these challenges in close partnership with you and your profound commitment to Social Security and your unique expertise which is invaluable. It is because of your foresight and leadership that we are now taking one of the single most important steps to rebuild confidence in Social Security: to provide each American worker with a Personal Earnings and Benefit Estimate Statement.

I am familiar with this type of statement because of my own participation in the TIAA-CREF program and have found them to be excellent and useful tools. I am committed to ensuring that the Social Security Administration meets—and, if possible, accelerates—

the statutory implementation schedule which you envisioned for providing this report to all workers.

We are also working with SSA to find and implement better methods for providing accurate information about Social Security to every citizen. One such promising technological innovation is an automated question-and-answer video kiosk that can provide a wide range of general information about Social Security earnings and benefits.

SSA has developed a pilot kiosk, which could be replicated for use in community centers, shopping malls, schools and other public places. Our objective is to expand the knowledge that today's workers have about Social Security and about their options for financial planning.

Recently, Social Security also adopted a customer-oriented strategic plan, which includes key objectives like the issuance of Social Security numbers within 24 hours of application. I am committed to making sure that this strategic plan becomes a living document to guide SSA to excellence. To do this well, I have asked SSA to solicit comments from Congress and the public.

As part of its participation in the National Performance Review, SSA will publish nationally and post in each of its offices performance standards that address courteous customer relations, accurate information about benefits, referral to other programs, and timely responses to all inquiries.

The disability area is one area in particular that has been fraught with serious difficulties in the last few years. The most critical workload problem facing the Agency is the dramatic increase in disability claims and appeals. At a time of severe personnel constraints, SSA has been seriously stretched in trying to minimize the time required to process both initial disability claims and requests for hearings before the Administrative Law Judges.

This Department is whole-heartedly committed to improving the disability claims operation—in fact, this is one of the Department's top priorities. As part of our commitment, one of my first tasks was to secure the release of \$100 million in contingency funds to help alleviate the growing disability backlogs. In addition, SSA's disability program was one of the few to receive priority in the President's investment package for fiscal year 1994. We requested an additional \$120 million for the disability area to improve program administration and \$200 million for future years.

In addition, we requested a \$1.1 billion multi-year investment in automation, which will provide SSA with a state-of-the-art computer architecture. It will create a first-time, linked, automated environment for disability services and the Office of Hearings and Appeals.

It will lay the groundwork for the automation systems to support the growing number of claims we expect as the baby boomers retire. This will allow us the flexibility to improve the quality of our services and to achieve our long-range strategic priorities. SSA was one of only a handful of programs to be designated for new investments in revitalizing technology.

I also have directed key HHS Assistant Secretaries to work with SSA on an aggressive disability research program designed to expand our knowledge about the unanticipated increase in applica-

tions. As you know, these increases result in workload backlogs and trust fund deficits.

Further, in response to concerns raised by Members of Congress and the public, both SSA and the HHS Inspector General are conducting fact-finding audits or studies to further our understanding of the changes that have occurred in the SSI childhood disability program.

In conclusion, Mr. Chairman, let me say that we share a common vision: to restore the American people's faith and confidence in the Social Security Administration and its vital programs. We firmly believe that it is the strength of our commitment and the vigor of our leadership—not the organizational placement of the agency—that will make that vision a reality.

I am here today to ask you, and the members of your committee, for the chance to prove that we can make our common vision a reality. We want to join in partnership to put our strong team of top-notch people in place and to begin to aggressively meet the challenges we face.

I am confident that together we can assure the current and future work force of the sacred trust and promise that Franklin Roosevelt established so many years ago.

Thank you very much.

[The prepared statement of Secretary Shalala appears in the appendix.]

The CHAIRMAN. Thank you, Dr. Shalala. I simply speak to you from your own words. You say, "we are committed to making the tough decisions necessary to restore the public's waning confidence in Social Security." That is a handsome statement by you and I appreciate it because it is true.

You say, "again, we have to rebuild confidence." And then in conclusion you say, "we share a common vision to restore the American people's faith and confidence in the Social Security Administration."

Well, where did that confidence go? Why is it waning? What has happened? I can just speak to you from 17 years on this committee. I can see how it has failed. I spoke to it earlier on. It is an organizational system in which there is very little understanding of the need to reach out.

You are having a terrible time with the problem of domestic help and the payment of Social Security. Only about a quarter of such person's contributions are paid and credited.

The Social Security Administration never came to this committee with that subject. We had something in the bill last year. But they never said, "we have a problem." No, these people are not getting their benefits. It is just not there. It is fine people who have missed it.

I quote you, "the public's waning confidence," "to restore the American people's faith and confidence." How do you think we are going to have health insurance if we cannot run a 50-year-old retirement system or a disability system which is hung up the way it is.

The statute provides that the quadrennial Social Security Advisory Council is to be appointed following a presidential election. Well, here it is September and there is no Commissioner and no

council. Does the statute not provide that there be a Commissioner? There is no council. Larry will tell you about it.

The President lost an Attorney General. He lost two, and God knows what else, over the issue of payments to domestic workers. There is no council. There is no Commissioner. No Commissioner, I have to tell you, Senators, no Commissioner has been nominated. The day the Commissioner is nominated, the next day we will have a hearing.

I think Mr. Pryor would like to do that, would you not? I think Mr. Grassley would like to do that to see that we get a Commissioner. We have not got one. That's the problem.

Senator Pryor?

#### **OPENING STATEMENT OF HON. DAVID PRYOR, A U.S. SENATOR FROM ARKANSAS**

Senator PRYOR. Mr. Chairman, you are undoubtedly one of the greatest advocates and chief architectures of saving the Social Security system. Not only this committee, but this country, owes a great debt of gratitude to you for that, and your work in the early 1980's.

If we think the level of confidence is eroding now, in the early 1980's before you and your group walked in and did what had to be done, the morale about Social Security, the feeling that the people had about Social Security, was at an all-time low. We are in your debt.

Politicians are not supposed to admit anything, especially admit anything in public. But I have an admission, Madam Secretary. I am embarrassed that we do not have a Commissioner. I am truly embarrassed.

I love this President. I love this Administration. I do everything that I can to help. But when people ask me why do we not have a Commissioner for the Social Security Administration, I do not have the answer. I do not know how to answer that question.

During January, February, March, April I could say, well, they are getting everything in place. But if I can in any way be of assistance or my colleagues here can be of assistance making this happen, I hope you will call on us.

Secretary SHALALA. Thank you.

Senator PRYOR. I really do mean that. We have got to do this. We must do it.

Our staff did a little work-up, Mr. Chairman, and Senator Grassley, you might be interested in it. The Social Security Administration alone, talk about the enormity, not only the size of it, but the importance of it, has more staff combined—than if you took the Department of State, the Department of Labor, the Department of Housing and Urban Development, and the Department of Education, and put them all together. The Social Security Administration would have more employees than all of these together. It affects every household in this country almost, Social Security, in one way or the other. If it does not now, it will eventually.

I just urge you to let us work together to rapidly choose this person to lead this Social Security Administration.

I want to ask you, Mr. Chairman, if you would include me as a co-sponsor, please, of your legislation.



The CHAIRMAN. Thank you. I would be very pleased.

Senator PRYOR. I have long supported the independent status of the Social Security Administration. It started as an independent agency, as we will hear from some of our very, very splendid expert witnesses here today, who have grown up with the Social Security system.

I look forward to not only just talking about this, but making it become a reality. I think we need it and I hope that we can bring it about. But let us all work together and pledge ourselves that we are going to find that right Commissioner and have that person on duty and doing what is necessary to return the excellence of this agency.

Mr. Chairman, I thank you; and I thank our Secretary so much for being here this morning.

The CHAIRMAN. Thank you, sir.

[The prepared statement of Senator Pryor appears in the appendix.]

The CHAIRMAN. Senator Grassley, good morning.

**OPENING STATEMENT OF HON. CHARLES E. GRASSLEY, A U.S. SENATOR FROM IOWA**

Senator GRASSLEY. Thank you very much. I want to put my statement in the record and just summarize by saying that I support your legislation.

The CHAIRMAN. Without objection. Senator Packwood has indicated the same.

[The prepared statement of Senator Grassley appears in the appendix.]

Senator GRASSLEY. Okay. I will put that statement in the record. Then if I could ask one question.

The CHAIRMAN. You can ask as many questions as you like.

Senator GRASSLEY. Dr. Shalala, please, this question that I am going to ask you comes later from the General Accounting Office and I apologize to the GAO witness that I am raising a question based on testimony that he has not had a chance to deliver yet. But I would like to have your reaction.

The suggestion or question might be a better way of—it is really a question—whether your coming involvement with health care reform will mean the Social Security Administration will not get the time and attention it deserves from your office.

In other words, setting it up as an independent commission means that this commission is going to run it, it is going to have the full focus. Whereas, health care reform, not only this year but for so many years in the future, is going to take whoever is Secretary of HHS so much time to get it done that maybe serving, overseeing Social Security will not get the focus that it should.

Secretary SHALALA. Thank you, Senator. Since you came in a little later, I should note that Dr. Thompson who is sitting next to me is now the Acting Commissioner of Social Security. We stole him from GAO. He is, of course, one of the country's leading experts on Social Security.

The CHAIRMAN. He surely is.

Secretary SHALALA. And he is permanently in the Chief Deputy slot at Social Security.

The answer is no. I am not a one-issue Secretary. I do believe that given first-rate leadership at Social Security and a strategic plan that emphasizes both the fiscal integrity of the program, and the consumer orientation and public confidence strategy that we are pursuing, we will, indeed, be able to demonstrate some genuine gains in all of those areas—even though there are other major policy issues that are going on.

There is some history for both agencies and presidents in handling multiple large issues. The key in managing a large complex agency though, is that the agency itself has first-rate leadership and a strategic sense of where we are going to go.

I think that Commissioner Thompson will tell you that we see each other almost every day, which is unusual, I think. But it says something about the priority that we place on the Social Security Administration and the important role that he plays in the Department.

The CHAIRMAN. Well, that was a very forthright and reassuring statement. We have not had a chance to welcome you and congratulate you, sir, on your career of public service that is very much in the tradition of Social Security.

Dr. THOMPSON. Thank you, Senator.

Senator GRASSLEY. Mr. Thompson did a great study on trust fund that we found very useful.

The CHAIRMAN. Yes.

Senator GRASSLEY. And we have sent it to many of our constituents.

The CHAIRMAN. Since we have a long morning, we want to thank you both and we look forward to working with you.

Secretary SHALALA. Thank you.

The CHAIRMAN. We are now going to hear from one of the illustrious figures of Washington over the last two generations, Hon. Elmer Staats, who was the Comptroller General of the United States from 1966 to 1981, chosen by President Johnson; and who was the Chairman of the Congressional Panel on Social Security Organization from 1983 to 1984, after the National Commission on Social Security Reform appointed by President Reagan and the Majority Leaders and Speakers proposed that there be an independent agency.

As Senator Pryor knows, this has been a bipartisan proposal now in its 10th year. Sir, we welcome you. It is a very rare privilege to have you back on Capitol Hill.

I am sorry, sir, your colleague is?

Dr. STAATS. Mr. Royal Shipp, who was the staff director for our panel from the Congressional Research Service.

The CHAIRMAN. Forgive me, sir. We do very much welcome you.

If you would proceed. We will put your statement in the record and you may proceed exactly as you wish, sir.

**STATEMENT OF HON. ELMER B. STAATS, PH.D., COMPTROLLER GENERAL OF THE UNITED STATES (1966-1981); AND CHAIRMAN, CONGRESSIONAL PANEL ON SOCIAL SECURITY ORGANIZATION (1983-1984), WASHINGTON, DC, ACCOMPANIED BY ROYAL SHIPP, ASSOCIATE DIRECTOR, CONGRESSIONAL RESEARCH SERVICE**

Dr. STAATS. Thank you, Mr. Chairman, for inviting us here today. Our report, as you have noted, was filed some 9 years ago now. I will do my best to refresh my memory on all of our findings. Mr. Shipp here can certainly add to that.

The panel was established, as you know, as an outgrowth of the Greenspan Commission.

The CHAIRMAN. Right.

Dr. STAATS. Which considered the question of an independent agency and was not able to come into agreement. Subsequently the Congress enacted legislation to establish this panel and we were appointed by this committee and the House Ways and Means Committee—

The CHAIRMAN. And we have your report.

Dr. STAATS [continuing]. To review the whole matter and make its recommendations to the Congress. We worked for more than a year. We had extensive hearings. I should emphasize that our assignment was not to recommend whether a separate agency should be established or not, but rather should one be established how you would best implement that decision. What form of organization, in other words, would be best.

The presumption that we had was, that Congress would want to know if they did decide on a separate agency just how it was to be organized. That was the presumption we operated on.

I think the report of the panel speaks for itself. But we would like to emphasize again that we were addressing the question of the best form of organization for an agency which without doubt has the greatest outreach to the American people than any other agency of government.

It was somewhat ironic, I think, that at the time we were having our deliberations that the debate had already begun as to whether the Veterans Administration, which was already in a separate agency, should become a Cabinet department, which it subsequently became.

The CHAIRMAN. Very nice.

Dr. STAATS. But I would like to also stress this, that we cannot really comment on changes which have been made since the administration of the program since our report was filed, obviously. But we do feel that a number of recommendations that we did make would still be applicable today.

I refer here particularly to the Advisory Board, which we think would be almost essential whether you left the program in HHS or took it out.

Secondly, the delegation of authority, giving the administration more discretion, I think would also be applicable to what it is, even if you left it in the HHS. Subsequently, the National Performance Review has made strong recommendation on the need for more delegation on such things as space, personnel, budgeting, personnel

ceilings and things of this type. We had incorporated in our report recommendations of that type.

The proposal for a separate agency, as you have already stated, has been argued on a number of grounds. One is the need to provide stronger management leadership for this highly-complex organization. Another is, that the program affects so many people, and for the most part low-income people and older people, that we should build in whatever safeguards are feasible to assure that the program is carried out in a nonpartisan, professional manner and with reasonable continuity of top management.

The situation which you mentioned in terms of the leadership, changes at the top, was already present at the time we filed our report.

The CHAIRMAN. Right, the Social Security Administration has had 12 Commissioners or acting Commissioners in 17 years.

Dr. STAATS. Now as I indicated we had extensive hearings. A few witnesses argued for a separate agency headed by a bipartisan board or commission, of three or five members, with a chairman designated by the President. This board would then appoint an executive director who would be responsible for the day-to-day operations.

Most of the witnesses, however, argued that a program of this size and complexity should be headed by a single administrator. The panel concluded in favor of a single administrator, which when coupled with the advisory board of the type and with a charter which we have recommended, would provide in our opinion, a good balance between the need for a strong administrator responsible to the President, but with a board which would provide advice, assistance and protection for the integrity of the Social Security program.

I have included as an attachment to our statement a detailing of the functions which we felt would be appropriate for such an advisory board. I believe those have been substantially incorporated in the bill which you have introduced.

In my experience multi-headed agencies function best in a regulatory or adjudicatory capacity. They are notoriously poor in managing large, complex programs. In fact, we found no good model in the Federal Government to support the argument—

The CHAIRMAN. May I interrupt, Dr. Staats?

Dr. STAATS. Yes.

The CHAIRMAN. That is an illuminating point. We look around and we see multi-person boards. We see commissions, three members, this and that and so forth; and we say, well, why not this? Your point is, a regulatory function benefits from having more than one person in the way an appeals court does.

But as a management function that is something quite different in terms of the two structures. It is sinking in. It takes time.

Dr. STAATS. You have stated it very well. Thank you.

The history of the Social Security Board in the 1930's reflects great confusion in the roles of the Board and the Executive Director, which in our opinion would be most likely repeated if a new full-time board or commission were to be established.

This history has been documented by the National Academy of Public Administration. I was a graduate student and associated

with the Social Security Board in the 1930's and saw some of this first-hand.

But it is inevitable that when you have a board or commission trying to administer a huge program of this type, there are going to be differences of opinion. Those become public. Those add to the uncertainty of the public as to what is going on and how the program is being carried out.

As I have indicated, we feel equally strongly that a bipartisan board along the lines proposed is essential. It would be made up of nine members, no more than five of whom would be the same political party. The President would name five members and the Congress would designate four members—two by the President of the Senate and two by the Speaker of the House. These members would serve 6-year staggered terms.

Importantly, we emphasize the need for having a continuing advisory board in lieu of the ad hoc advisory councils and commissions which have been established in the past. This board would make an independent assessment of the annual reports of the Board of Trustees. It would undertake studies on its own initiative. It would be available for testimony before Congressional committees. It would have an opportunity to meet with and hear the views of affected groups throughout the country.

And perhaps most important of all, and I stress this, it would suggest names to the President for its consideration of nominees for the position of Social Security Administrator.

We believe the recommendation is particularly important because it would go a long way toward assuring that a professional administrator is appointed to the position and the appointment of an individual who would be acceptable to both political parties.

We have enumerated in more detail the specific responsibilities in our report and in our testimony. I need not elaborate on that.

In order to assure continuation of the President's responsibility and accountability, we believe the administrator should be appointed by the President for a 4-year co-terminus term with the President's own term.

I think I have pretty well highlighted what is in our report. I would be happy to respond to any questions that you may have. You may want to turn to my colleague here who may have a better memory than I do.

[The prepared statement of Dr. Staats appears in the appendix.]

The CHAIRMAN. Mr. Shipp, would you like to say something, sir?

Mr. SHIPP. No. This was an extraordinarily fine panel that was selected to do this job with Mr. Staats as Chairman and Martha Derthick and Art Hess as the other two members. The report very much is their report. It is not a staff written report at all. The ideas, indeed much of the very good language, comes directly from the members. It was just a pleasure to work with them.

I think the recommendations have stood the test of time and we still think it is a good report and a good set of recommendations.

Dr. STAATS. We were unanimous in our report. Art Hess was the former Acting Commissioner of Social Security. Martha Derthick was a scholar of government and teaches at the University of Virginia, well-known here on the Hill. So we worked hard and we came out with a unanimous report.

The CHAIRMAN. And Royal Shipp is a distinguished scholar and also an aide to the Congress of the United States.

Martha Derthick was a colleague at Harvard University and, of course, is the historian of the Social Security Administration.

Your proposal makes absolute sense to me.

In the interval, if I could just say one thing before I turn to my colleague, I do not know whether you might wish to comment on this, Dr. Staats, but Senator Pryor mentioned loss of public confidence in the early 1980's. Much of it was generated by a statement by the then-Director of the Office of Management and Budget—you were there for so many years, from President Eisenhower and on—that the world's largest bankruptcy would be taking place October 1 next.

One of the things that happened, and really in the history of public administration, I do not think there is quite an equivalent, in 1977 in the Social Security amendments that year, we moved from a pay-as-you-go system to a partially-funded system.

I see my dear friend Bob Myers nodding.

It was a huge decision. But it was kept secret. I do not know why it was kept secret. The people who understood, understood. I sit here saying I was a member of the committee in conference on that bill. I signed the conference report. I had no idea I was putting in place a surplus of approximately \$5 trillion, that we were putting in a surplus of approximately \$5 trillion over the next then 30 years.

A sum, if you would like an analog, that would buy the stock exchange. And we put it in place. We had a little bit of trouble because there was a very brief period where prices ran ahead of wages, which they had never done before in our statistics and they have not done since, and for the moment it looked like you had a little problem. In fact, you had \$5 trillion coming in.

And since no one knew it and there was no one around to insist on it, the OMB has literally taken it over as general revenue. That is my view. Would you want to comment on that? I mean, you may not wish to. But that change to a partially-funded system was never made clear and insisted upon.

Dr. STAATS. I am not sure, Mr. Chairman, that my view on this as an individual would be too relevant. I happen to be a trustee for the Committee for Economic Development and we have been involved in this issue for some time. I know there are strongly held views on both side of whether you go on the pay-as-you-go system or whether you should go on the present system we have.

I think I am not sure where I come out on that issue quite yet, but I tend to favor something nearer to a pay-as-you-go policy.

The CHAIRMAN. Right. My only point is that, whichever way you come out, the fact that we moved to a partially-funded system just never sank in.

Dr. STAATS. Well, as an old budget hand, I know the concern is that the present system simply is misleading in the sense that we are using Social Security tax revenues for general revenue purposes and that maybe we would be better off to go to a system where we pay-as-you-go, so that those budget outlays could not be concealed in the way they are.

The CHAIRMAN. Sir, I fear you reflect the options available to Presidents Eisenhower, Truman, Kennedy, Johnson, but not any longer, not certainly with President Clinton.

Senator Pryor?

Senator PRYOR. Mr. Chairman, let me yield to the Senator.

The CHAIRMAN. Senator Rockefeller?

Senator ROCKEFELLER. Thank you, Mr. Chairman. I am thinking back, although I did not remember it at the time, my Uncle Nelson was Deputy Secretary of the first Department of Health, Education and Welfare.

The CHAIRMAN. That is right.

Senator ROCKEFELLER. I was not here, Mr. Chairman, earlier but I understand that the Senator from Iowa made a point about the GAO testimony, noting that health care now, and for the coming decade and maybe more as we try to implement health care reform that we hopefully will pass Congress, that HHS will be really "Hhs." The possibility of the time of the Secretary, the time of the bureaucracy and the time for the decisionmaking in the Secretary's office will be dominated by primarily health care matters. What we are undertaking in terms of health care reform is the largest legislative undertaking, at least I believe, in the history of this Congress.

It is incredibly complex and even after it is done, if it is to be done this Congress, there is another solid decade of intricate implementation work. So I would be concerned quite apart from the merits of whether Social Security should be separate or not as another issue, I happen to have supported the Chairman's view on that and do, that there would be an imbalance in the Department.

I think Social Security is about half the Department in terms of 68,000 employees, et cetera.

The CHAIRMAN. More.

Senator ROCKEFELLER. It is true, the Chairman has been enormously frustrated by the lack of an appointment of a Commissioner. I share that frustration. I have talked about that frustration with people up in the administration. But the lateness of the selection is a very disturbing statement in and of itself.

I just wonder if, Dr. Staats, that would be a matter of concern to you.

Dr. STAATS. It was a matter of concern in the deliberations of our panel in another context. That is, the point was made, well, if you take Social Security out of HHS does that leave it as a viable agency. Our conclusion was, with health becoming such a major issue for the nation, that is going to preoccupy the Secretary, that this was not a problem.

We would propose to take out only Social Security and supplemental security income programs, leaving everything else there. So that we came out with a conclusion that the time of the Secretary as we could see it for the foreseeable future is going to focus on health and we did not see that that was going to create a problem.

I would like to make another point here, if I may. There is no way that you can remove the President from responsibility for a program of this size, magnitude and importance. That means that the President must take the responsibility for the appointment of the administrator.

The CHAIRMAN. And you specifically say it ought to be co-terminus, a 4-year term the President appoints?

Dr. STAATS. We proposed that it be a 4-year term so that it be co-terminus with other presidents, to make it clear that the President did have this responsibility for administering the program.

Senator ROCKEFELLER. Thank you, sir.

The CHAIRMAN. Thank you. I think that is a very powerful point, that even in 1984 you could see the development of the issue of health as having a major impact on the Department of Health and Human Services now. God knows what you have said is true about the time ahead.

In the meantime, and if I might say to my friend from West Virginia, there is still no nominee for Commissioner.

Well, once again, how do we thank you for the public service you have given over more than 50 years?

Dr. STAATS. I am pleased to be here and thank you for inviting me.

The CHAIRMAN. Thank you, Dr. Staats; and thank you, Mr. Shipp. We have your proposals right here. And as you know, this committee has twice reported out, basically, your proposal.

We are now going to hear from a panel of great Americans. I do not hesitate to speak in those terms. I do not know whether Joe Delfico is a great American yet. [Laughter.]

But Arthur Flemming is a great American and Robert J. Myers is a great American. We welcome both of you. And, Don Wortman, we welcome you as well, sir.

Gentlemen, we would like you to proceed just as you wish. I suppose we will follow our most ordinary procedure. Joseph Delfico, who is the Director of Income Security Issues for the General Accounting Office, is listed first. So, we welcome you once again to this committee, sir, on your way to becoming a great American. [Laughter.]

Mr. DELFICO. Thank you. Thank you, Mr. Chairman. That is quite an introduction.

**STATEMENT OF JOSEPH F. DELFICO, DIRECTOR, INCOME SECURITY ISSUES, GENERAL ACCOUNTING OFFICE, WASHINGTON, DC**

Mr. DELFICO. I am pleased to be here today to participate in these discussions about the possible establishment of the Social Security Administration as an independent agency. I wish to discuss several issues that we believe should be addressed as part of these deliberations.

Our views stem from work we have conducted over the past 5 years on SSA's management and operations, our studies of the management effectiveness of independent regulatory agencies, and studies by others.

Over the years, many arguments for and against SSA's independence have been put forward. For the most part, these arguments have tended to counter each other, such that we have found no compelling basis either to favor the status quo or favor independence.

However, one new event—health care reform—might tip that balance. It will undoubtedly have a major impact on HHS and its



operations and could over the foreseeable term monopolize the Secretary's attention and divert it from the critical issues SSA faces over the next decade.

As the debate on health care reform unfolds and HHS's role and the involvement become clearer, we need to ask whether HHS can continue giving SSA the support it needs as SSA tries to respond to the major changes in Social Security programs.

Should SSA become an independent agency, we believe a single administrator would likely be the best management structure. We base this on our reviews of the management experience of different agencies and studies of others. For managing an agency, governing boards are inevitably slow, cumbersome, wasteful and ineffective.

Also, establishing a board to manage SSA as proposed in some recent legislation would be counter to the findings and recommendations of the first and second commissions on the organization of the executive branch of government, the Hoover Commission, the President's Advisory Council, and an executive organization, the ASH Council, and as you have just heard the Congressional Panel on Social Security Organization and the National Academy of Public Administration, the Commission on Railroad Retirement.

The CHAIRMAN. Let me just get clear. Just on the public administration issue, the first and second commissions in the organization of the Executive Branch, the Hoover Commission, they opted for a single manager and this is a pattern that goes right through from the ASH Commission down to the Commission on Railroad Retirement?

Mr. DELFICO. That is correct.

The CHAIRMAN. I see. I mean, whatever the state of the art is, this is it or however artful the art is, this is the state.

Mr. DELFICO. That is correct.

The CHAIRMAN. Okay.

Mr. DELFICO. Some argue that an SSA management board could give Congress and the Executive Branch a valuable source of diverse informed opinion about major Social Security policy issues. We do not question that. But we believe that such an end could be achieved without sacrificing management effectiveness by making the board advisory rather than governing in nature.

Also, if made independent, we would support delegating to SSA specific management authorities for personnel, the acquisition and maintenance of facilities, and the procurement of automated data processing equipment, and related activities.

Providing greater flexibility and incentives for managers to act is critical to act to fundamentally improving the agency's performance. Such delegations of authority would reflect the concerns of the National Academy of Public Administration, the Grace Commission, and more recently the National Performance Review group that operating restrictions imposed on government managers by GSA and OPM have impeded efficient and effective management.

Controls exercised by the central management agencies tend to diffuse accountability for results and have often hindered, rather than supported, a Federal agency's ability to accomplish its mission. The delegations of management authority should not occur until the Director of OPM and Administrator of GSA could be con-

vinced by SSA that the required management expertise and appropriate controls are in place to carry out the delegated functions.

While we support removal of detailed controls, the central management agency have an appropriate role in assuring that policy and regulations are applied consistently throughout the Federal Government.

We would like to make a cautionary note about filling SSA's top management positions or the chief operating officials with political appointees. Under proposed legislation, S. 33, previously introduced by the Senate to create an independent Social Security Administration, the Commissioner would appoint the following operating officials: the Deputy Commissioner, the Solicitor, the Beneficiary Ombudsman, Chief Administrative Law Judge, Chief of Computer Systems Operations, the Director of Research, and Chief Actuary. Currently, most of these chief operating positions at SSA are career status positions.

If made independent, we believe the staff of the agency's chief operating positions should continue having career status to provide operational continuity and an institutional memory. An example of this is SSA's principal deputy position.

In 1987, we recommended this position be established to provide continuity between Commissioner appointments and to provide a ready historical reference about SSA's operations. Since this individual is responsible for the day-to-day management of the agency, it should be a career position.

This would provide great continuity in SSA's top management team, increased institutional memory about the causes and implications of SSA's management problems, and help depoliticize the agency—a key reason cited by Congressional proponents for making SSA independent.

The CHAIRMAN. Please, go on.

Mr. DELFICO. Over the past decade the management of the Social Security Administration has steadily improved. Our earlier concerns about SSA's ability to manage itself as an independent agency have been diminished somewhat.

Despite this improvement, however, SSA is facing major management challenges as it prepares for the influx of the retirement of the baby boom population. The disability program and the SSI program are experiencing a major growth in the benefit rolls.

Today more persons receive disability benefits than ever before. This rapid growth has spawned a deterioration in services exemplified by the unacceptably long time it takes to make disability decisions.

Whether independent or not, SSA needs to substantially re-engineer its business practices, upgrade technology and reorganize to be more responsive to customer needs.

Mr. Chairman, restructuring government to better serve the people is a complicated and arduous task, particularly when the agency and programs in question historically have been among America's most successful. Experience tells us there is no simple formula for bringing about the betterment we all seek. But we would be pleased to continue to work along with you and your committee, Mr. Chairman, in helping to determine the best way to proceed.

That concludes my prepared statement.

The CHAIRMAN. Thank you, sir.

[The prepared statement of Mr. Delfico appears in the appendix.]

The CHAIRMAN. If it is agreeable with Senator Rockefeller, we will just hear our whole panel.

Senator ROCKEFELLER. Mr. Chairman, can I just interrupt to say—

The CHAIRMAN. Please.

Senator ROCKEFELLER [continuing]. Walking out as I am going to have to do on Arthur Flemming will probably shatter the entire rest of my week.

The CHAIRMAN. Here, I know how to handle this. Arthur Flemming, would you give Senator Rockefeller your leave to go off elsewhere.

Mr. FLEMMING. Yes, sir.

The CHAIRMAN. Say, all right, he is not to worry about it.

Senator ROCKEFELLER. Mr. Chairman, Arthur Flemming is a board member of the Alliance for Health Care, which is something we all started together to try to keep health care on the front burner.

I have, as I do for the others, but in particular an enormous respect for him and I apologize to Dr. Flemming as I do to you, Mr. Chairman.

The CHAIRMAN. That is very generous, sir.

Mr. FLEMMING. Might I say that I have thoroughly enjoyed my association with the Senator, just as I thoroughly enjoyed my association with his Uncle, Nelson Rockefeller.

The CHAIRMAN. You may go and go in peace. [Laughter.]

Senator ROCKEFELLER. Thank you, sir.

The CHAIRMAN. You, sir, are next.

**STATEMENT OF HON. ARTHUR S. FLEMMING, SECRETARY OF HEALTH, EDUCATION, AND WELFARE (1958-1961), AND CHAIRMAN, SAVE OUR SECURITY COALITION (SOS), WASHINGTON, DC**

Mr. FLEMMING. I am certainly honored by the opportunity to appear before the Committee on Finance to discuss your proposal, Mr. Chairman, to make the Social Security Administration a separate agency.

First of all, I would like to express my deep appreciation for the creative leadership which you have provided the Social Security system. You have shown your deep interest in improving the system. In doing so, however, you have always demonstrated that your primary interest is in the individual—how you can help in your journey through this life.

I would like to apply your test by asking: Would your proposal make it possible for the national community to do a better job in helping the individual deal with some of the hazards and vicissitudes of life?

The Save our Security coalition (SOS) which I represent today, has been led in their consideration of this issue by two men who were closely associated with the development and implementation of our system.

I refer first of all to the late Wilbur Cohen, who founded SOS in 1979. In testimony on behalf of SOS on July 30, 1984 he said: "We

believe the policy and administration of the agency should be under a Board. This was the majority view of the National Commission on Social Security on which Robert J. Myers," associated with me on this panel, "and I served. It was the view also of a substantial number of the members of the National Commission on Social Security Reform.

"I was the Technical Advisor for the Social Security Board for the entire duration of its existence (1936-1946) and subsequently Technical Advisor to three Commissioners of Social Security (1946-1955). Then as Assistant Secretary, Under Secretary and Secretary of Health, Education and Welfare for 8 years (1961-1969). During this time, I worked closely with two Commissioners.

"Thus, I had nearly thirty years of close working association with several different organizational structures in Social Security. From my experience, I strongly favor removing SSA from HHS and restoring it to the independent status of a Board as it was from 1935-1946. It worked well then and I believe would work even better now."

It would be difficult for me to over-emphasize the support for his position that Secretary Cohen received from the members of SOS. In my judgment, the events of the late 1980's should simply reinforce his conviction that a three-member independent board "would work even better now."

In the second place, I refer to the testimony of former Commissioner Robert Ball. In testimony before the Subcommittee on Social Security and Family policy of this Committee he said:

"I was Commissioner of Social Security from 1962 to 1973. Prior to my appointment by President Kennedy I was a civil service employee of the Social Security Administration for some twenty years. Since leaving the government in 1973, I have continued to write and speak about Social Security and related programs.

"I am testifying today as Chair of the Independent Agency and Administration Committee of the SOS Coalition. SOS believes it would add significantly to public understanding of the trustee character of Social Security as a retirement and group insurance plan if the program were administered by a Board directly under the President.

"Just about every American has a major stake in protecting the long-term commitments of the Social Security program from fluctuations in politics and policy. The administration of Social Security by a separate Board would strengthen public confidence in the security of the long-run commitments of the program and in the freedom of the administrative operations from short-run political influence. It would give emphasis to the fact that in this program the government is acting as trustee for those who have built up rights under the system."

Why did the late Wilbur Cohen and Robert Ball state and restate before the appropriate committees of the Senate and the House of Representatives that Social Security should be handled by a bipartisan independent board?

They saw Social Security as the greatest contributor to the prevention of poverty that has been made by any program in world history.

They lost confidence in the arrangement for the leadership of Social Security because they saw that the leadership could not prevent the infiltration of a belief that you could promise the people of this country certain benefits and then tell them you could not provide those benefits promptly because of lack of money.

They saw the system, under the leadership provided by present law, sharply deteriorate. They saw the leadership in the 1980's unable to prevent an arbitrary and capricious downsizing of the Social Security Administration from 80,000 to 63,000.

They saw the leadership of the 1980's unable to deal with a growing backlog of disability cases which the budget says will reach 1,320,000 by the end of 1994. This means that the person who files an application for disability will wait an average of 7 or 8 months before they get a reply. Persons who file an appeal will wait for an average of 2 years for action.

I do not need to read the testimony of the two leaders who actually devoted the best years of their lives to the Social Security system—Wilbur Cohen and Bob Ball—because, Mr. Chairman, you know their views. You have heard them time and time again.

There was some reference in there for his great admiration of the work of the Staats Commission, but his continuing belief that although there should be an independent agency, must be an independent agency, he believed that it should be handled by a board.

Personally, I would like to see the law worded so that a President would be encouraged to include the Chair of the Social Security board as a member of his Cabinet. I agree completely with the Staats proposal, that the Chairman of the Board term should be co-terminus with the President.

I would like to see the Chairman of the Board serve a term which parallels the term of the President. I would like the Chair to be a person of outstanding qualification. Such a person could assist the President and the Cabinet in their discussion of major Social Security policies. Such a person could also assist the President as a general adviser.

I have concluded that when dealing with a people's program—and certainly Social Security is a people's program—it is imperative to keep the authority to act as close to the grassroots as possible. It is only as we do so that the field official will be able to meet promptly the individual's needs.

We should not, by layering, create a situation where action to meet human need is delayed indefinitely while clearances are obtained from a higher authority.

I was a member of President Eisenhower's committee on government organization for 8 years. The other two members were the late Nelson Rockefeller and the late Milton Eisenhower. Don Price became a member when Nelson Rockefeller became Governor of New York.

I was given the responsibility of representing the committee in developing a reorganization plan for creating what became the Department of Health, Education and Welfare.

I feel we made a mistake. Instead of providing for layering above the Social Security agency, we should have recommended that Social Security be established as a department with a mandate to del-

egate authority to act whenever possible to the field official who comes in contact with the needs of a member of the system.

By the same token, Congress makes a mistake of layering when it requires departments to clear all kinds of administrative action with the Office of Management and Budget or some other central agency.

I concur wholeheartedly in the recommendation of the Vice President's task force to eliminate that layering. I would make a speech on that.

The CHAIRMAN. You just did. [Laughter.]

Mr. FLEMMING. But to create layering above the point where the Federal official comes into contact with human need in order to prevent mistakes we say at times. Yes, mistakes will be made. Often times the regulations we promulgate call for review at a higher level, cost far more in dollars and cents and certainly far more in the morale of Federal employees at the grass roots.

Finally, Mr. Chairman, I know that your bill calls for a single administrator. Social Security is for all the people. I feel that when Republicans are in power, it is wise to provide a Democratic voice; and likewise, when the Democrats are in power, it is wise to provide for a Republican voice, so that all the people feel they are represented.

Obviously, as a Republican, I am simply asking you that you give this your careful consideration.

The CHAIRMAN. Most gracious, Mr. Flemming.

Mr. FLEMMING. Thank you.

[The prepared statement of Mr. Flemming appears in the appendix.]

The CHAIRMAN. We will just hear from your colleague on the great American circle, Mr. Myers. Then we will hear from Mr. Wortman. Then we would like to go around this.

Good morning, sir.

#### **STATEMENT OF ROBERT J. MYERS, CHIEF ACTUARY, SOCIAL SECURITY ADMINISTRATION (1947-1970), SILVER SPRING, MD**

Mr. MYERS. Good morning, Mr. Chairman. I am very pleased, as always, to be able to testify before the Committee on Finance on matters involving Social Security. I strongly support the general principle that the Social Security Administration should be an independent agency, with a considerable degree of bipartisanship in the top leadership, rather than a component of the Department of Health and Human Services.

Certainly, such an independent agency should be responsible for the present programs that the Social Security Administration handles. In theory, I believe that it would be desirable for such an agency also to handle Medicare and Medicaid, so that there would be a unified social insurance and social welfare program. But I believe this is not an appropriate time to do so because of the very considerable state of flux that the whole health care situation of the country is now in.

The disadvantage of the present structure of the Social Security Administration has been well described by you, Mr. Chairman, and by other witnesses. But I must repeat that the problem is essentially that there is too much layering of responsibility and author-

ity, and as a result, action that should take place just does not occur.

A vivid example of this occurred back in 1981 in connection with the, shall we say, horrendous notch benefits problem. Back at that time when I was Deputy Commissioner of Social Security, I developed a way in which the problem could at least be ameliorated to some extent, and this could be handled administratively.

But in the legislation which developed in 1981, this was not included, because I was not able to penetrate all the layers of responsibility and authority that were above the Social Security Administration.

The CHAIRMAN. You mean in the Department of Health and Human Services?

Mr. MYERS. And in OMB as well.

The CHAIRMAN. And in OMB. And we have paid for that.

Mr. MYERS. Most unfortunately.

As has been pointed out, there are two possibilities as to the structure of the top leadership of such an agency. It is because there are these two approaches that there has been somewhat of a deadlock.

One possibility is that contained in your bill, S. 33, in the previous Congress, in which the top leadership would be a single administrator with a bipartisan advisory board. The other possibility is the pattern of the old Social Security Board and, to a certain extent, the present Railroad Retirement Board—three members, no more than two of whom are of the same political party.

These two different approaches have been recommended at different times by various advisory groups. The National Commission on Social Security on which I served and Wilbur Cohen served, the predecessor of the Greenspan Commission, came out in favor of the board approach.

The National Commission on Social Security Reform, as you well know, merely said that there should be an independent agency and just did not have the time, considering all the other problems, to debate which way to go. Then, the panel that resulted from that recommendation—under the leadership of Mr. Staats—came out with the recommendation of a single administrator. There were some very cogent arguments for them, as Mr. Staats brought out today.

The Congress has taken action on this matter, as you pointed out, Mr. Chairman. The House has been going along the lines of the 3-member board approach, whereas, the Senate is going along the lines of a single administrator and a bipartisan advisory board.

In the past, my views have leaned slightly towards the board approach, possibly because of my experience with the original Social Security Board, and partly because of my association with the National Commission on Social Security. But I never thought that one approach was all good, and the other was all bad. I just had a slight preference.

Now I have changed my mind. I think that your approach in S. 33 of a single administrator with a bipartisan advisory board would be best. At least one reason for this is that I think it is more possible to achieve. I certainly would rather achieve something and have an independent agency, than have a continual debate about

how the top leadership should be. Also, the approach of the single administrator and the bipartisan advisory board is less of a change from the present basis. And that is another good argument for it.

So I come down very strong in support of S. 33 as introduced by you in the previous Congress, with support from a number of other Senators and members of this committee.

The CHAIRMAN. It is very wide on this committee.

Mr. MYERS. Including the distinguished Ranking Minority Member, Senator Packwood.

The CHAIRMAN. Senator Packwood.

Mr. MYERS. I would certainly hope that something like S. 33 could be enacted in this Congress. I especially like the provisions with regard to the position of Chief Actuary. There, you formalize what I think has been done in the past on an informal, but open basis, namely that the Chief Actuary has given technical advice on really a confidential basis to both congressional committees that deal with the subject. I think that has worked out well. Everybody has agreed to it.

I remember when Mr. Altmeyer was Commissioner for Social Security. He told me to give this sort of advice to the Finance Committee as though I were a staff member. I think that it worked out to the advantage of everybody concerned.

My only suggestion about the bill is that I believe that the provisions with regard to meetings of the Social Security Advisory Board should be tightened up a bit. S. 33 provides that there should be at least six meetings a year. I believe that it should be specified that these meetings should have a duration of at least five business days each, so that the meetings are not purely perfunctory or ceremonial. The members of the advisory board should realize that they are being compensated reasonably well for their work, and they should realize that this is an important task and not a perfunctory one as sometimes boards of directors of corporations and non-profit organizations do. If this is done, they would realize they are really part of the team and not just sort of a Christmas tree ornament on the new independent agency.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

[The prepared statement of Mr. Myers appears in the appendix.]

The CHAIRMAN. Can I just say that I can remember this Senator being very skeptical about the state of the trust funds, knowing by now the long-term prospects. The short-term did not impress me. I thought it was just maybe OMB.

It was when you said to me, it is my professional opinion that we are in trouble, then I commenced to think we were in trouble. Indeed, we were in trouble sixfold. But the Chief Actuary had to tell me that.

Now, sir, on behalf of the profession largely conceived, we welcome you, Mr. Wortman, as the Director of the Federal Programs at the National Academy of Public Administration, of which I believe I am a member.

Mr. WORTMAN. Yes, sir.



**STATEMENT OF DON I. WORTMAN, DIRECTOR, FEDERAL PROGRAMS, NATIONAL ACADEMY OF PUBLIC ADMINISTRATION, WASHINGTON, DC**

Mr. WORTMAN. Mr. Chairman, my name is Don Wortman, and I am a Fellow of the National Academy of Public Administration. The Academy, as you know, is a private, nonprofit and nonpartisan organization, chartered by Congress to improve the effectiveness of government at all levels—federal, state and local.

I spent 5 years of my Federal career in the Department of Health Education and Welfare, now known as the Department of Health and Human Services. I served in various staff and line executive positions under three secretaries—Weinberger, Mathews and Califano.

For 18 months I was Deputy Commissioner, and then Acting Commissioner, of the Social Security Administration. I suspect I am one of the 11 Commissioners SSA has had since 1972 that you referred to in your committee report of June 26, 1992.

The CHAIRMAN. I think that is correct.

Mr. WORTMAN. I am pleased to respond to your invitation to summarize the findings of relevant studies by Academy Fellows on the government's options for an independent SSA, as well as to provide my personal views on the merits of establishing SSA as an independent agency.

In May 1984, the Academy submitted a report entitled, "Management Reforms as a Part of Organizational Independence" to the Congressional Panel on Social Security Organization, which was chaired by Elmer Staats, who you have heard from this morning.

In addition to myself, Academy Fellows Charles Bingman and Jack Young worked on that report. We also consulted with a number of other knowledgeable people. The report addressed changes in management authorities and capabilities SSA would need to improve its capacity to manage effectively.

Let me depart from my prepared statement here. It is interesting that we advocated in our report to the Staats Panel, which they then endorsed, that SSA would need considerable management autonomy.

It appears that in the National Performance Review under Vice President Gore that they are catching up with that philosophy because in a sense they would deregulate and decentralize major authorities in procurement, space management and personnel management.

After making a series of recommendations regarding management systems, this report states, "However, the fundamental decision is whether SSA needs to be a part of HHS, and that decision should not be made on managerial considerations. SSA should remain in HHS if there are compelling policy reasons for keeping it there. . . ."

We go on to say in a concluding paragraph, "Making SSA an independent agency reporting to the President creates substantial managerial advantages: it removes it from the administrative overburden which departmental oversight inevitably entails. It essentially requires the legislative authorization of a full and complete set of management authorities to the Commissioner, and it makes

the Commissioner more fully and completely accountable for the performance of the agency."

On September 13, 1989, the Academy submitted a paper to Senator David Pryor, who was then Chair of the Special Committee on Aging, which analyzed S. 216, a bill which would have established SSA as an independent agency headed by a three-member Social Security Board. That paper was prepared by Harold Seidman and Ronald Moe, Fellows of the Academy, and it was reviewed by a panel consisting of Robert Ball, Alan Dean, Arthur Flemming, Dwight Ink, Elmer Staats, and myself.

The CHAIRMAN. You are sure you are not getting into some layering there, are you?

Mr. WORTMAN. We are trying to obtain expert judgment here, sir.

As part of this process, Robert Ball and Arthur Flemming submitted separate views which were supportive of S. 216. In both studies though, the one in 1984 and then again in the Seidman/Moe paper, Academy Fellows argued strongly for a single administrator and against any form of a governing board for SSA.

I would recommend this paper to anyone in Congress who believes boards can function as administrators. I have a copy of that document for the record if the committee wishes to have it as part of the record.

The CHAIRMAN. Would you? We will place it in the record at the conclusion of this hearing. We appreciate that.

[The paper appears in the appendix.]

Mr. WORTMAN. After listing a sequence of major governmental studies beginning with the Brownlow Committee in 1937, passing through both Hoover Commission studies, this paper states, "Each group came to the same conclusion as the Brownlow Committee: for purposes of management, boards and commissions have turned out to be failures."

S. 33 has dealt with this issue. It creates a strong Commissioner who is served by a seven-member advisory board. Your 1992 committee report on S. 33 states that the board, "would be responsible for giving advice to the Commissioner of Social Security on policies related to the OASDI and SSI programs." Thus, it would not be in a position to interfere in the operations of the agency.

As a career executive who alternated for 5 years between top staff positions serving three different secretaries and during that time being the acting head of the Social and Rehabilitation Service, the Health Care Financing Agency and the Social Security Administration at different times, while the White House was sorting out nominees for these positions, I came away strongly critical of departmental oversight, I would say interference in agency management matters.

From that standpoint, I personally advocated before Elmer Staats' committee as a witness in 1984 that SSA be established as an independent agency. By the same token, I acknowledge and respect the role of a Cabinet Secretary in policy coordination and direction; and without that role, even more key policy matters move up to the Executive Office of the President. And I am not sure that is a good idea either.

Maybe we should all be working on a set of management principles that give considerable autonomy to operating bureaus of de-

partments but still leave them subject to policy coordination and direction of a secretary.

Mr. Chairman, this concludes my prepared statement.

The CHAIRMAN. Thank you very much, sir.

[The prepared statement of Mr. Wortman appears in the appendix.]

The CHAIRMAN. Can I just say to this panel, I think we have the gist of your views. I think you are all coming out at about the same place. I think that the Staats Committee worked out the advisory functions that need to be around, particularly, you know, to make it serious, the six meetings of 5 days, bipartisan.

I must say I thank you, Mr. Wortman, for that proposition that each group, including the Brownlow Committee, has come to the same conclusion for our purposes management boards and commissions have turned out to be failures.

I want to ask you if you will not think for a moment, just share your views, the Secretary of HHS came before us this morning, you all were here, and said, we are committed to making the tough decisions necessary to restore the public's waning confidence in Social Security.

We have not heard that before. She said it several times, very candidly—to restore the American people's faith and confidence in Social Security.

Something in the managerial structure has got to associate itself with the question of, what do you do when the majority of non-retired adults do not think they are going to get Social Security. What do you do when a tax proposal comes along and they just add \$29 billion in HI revenue where no cents will go to health insurance benefits and Medicare benefits just because they did not need the money. There is a tax and you can get it.

The problem of confidence, is, in a certain sense a political problem, but I just feel it needs to be addressed. People need that monthly statement. They need that card. I would like to see the health insurance card number be the same as the Social Security card number.

At some level this arrangement got out of touch with new people. It is no accident, gentlemen, that it is September and there is nobody even nominated for Social Security Commissioner. It is no accident.

But I do know this, if we do not have confidence in Social Security, what else will we not have confidence in. Surely, Arthur Flemming, you feel that way, do you not?

Mr. FLEMMING. Well, I certainly do. As you know, Mr. Chairman, I spent 2 years with a group of experts looking at SSI, Supplemental Security Income Program.

The CHAIRMAN. Yes.

Mr. FLEMMING. In connection with that assignment, I chaired the group and I went out to all the regional offices, 10 of them, and went to many local offices. As a result of doing that, I was impressed with the fact that we were up against some very serious situations.

The morale was low because of the way they had been treated in preceding years. Commissioner King restored some of that morale. There is no question about that at all. But she was working

within a frame of reference that was not sympathetic to solving these problems.

For example, I was impressed with the fact that time and again Congress had directed the Social Security Administration to do certain things that money had not been forthcoming to do that.

The CHAIRMAN. OMB said no.

Mr. FLEMMING. Which said to me, there was lack of a vigorous representation in the system on getting that money. I mean, you need an advocate.

The CHAIRMAN. Bob Myers trying to deal with the notch problem.

Mr. FLEMMING. That is a good example.

The CHAIRMAN. He could not get it through to that—

Mr. FLEMMING. The Congress has placed new responsibilities on the Social Security Administration on representative payees.

The CHAIRMAN. Yes.

Mr. FLEMMING. Now you require it for people who are alcohol or drug addicts. And yet as far as I have been able to discover, not a red cent has ever been appropriated for that purpose.

So the claims people have had to absorb that. But at the same time they have absorbed it, the backlog on disability continues to mount.

The CHAIRMAN. It does.

Mr. FLEMMING. And they are confronted with a conflict of interest all the time in the field—how am I going to use my time—go out to find some good representative payees or am I going to use my time on the backlog. The same with outreach. Adequate funds have never been appropriated for outreach. So the claims people are presented with that kind of a conflict of interest.

I really think that our form of government is in a crisis situation as far as the Social Security Administration is concerned. So I agree with you completely as far as the necessity for an independent agency is concerned.

I get after myself, because when I was working as President Eisenhower's representative on the creation of HEW, this issue did not come up. Social Security was under the Federal Security Agency. No one raised that issue. We should have raised it ourselves and we should have prevented this layering that has been taking place over the years.

I really think the situation is very, very serious. I might say, I have tried to avoid generalizations as far as types of organization is concerned. I recognize that there are those who feel that the board type of organization is not satisfactory.

But I happen to be one who served for 9 years as a member of a board. I saw the board and the Executive Director have to work together. So I do not discount completely the ability of a board to represent the things that the board should represent.

I told you I would avoid quoting from Wilbur, but let me just quote this. "I sincerely believe that if there had been a board administering the disability provisions of the Social Security program in 1981, we would not have had the unfortunate recent experience with the administration of the disability program. With a bipartisan board, there very likely would have been a whistle blower on the board who would have prevented or moderated the precipitated and uncompassionate implementation of the 1980 amendments."

I discussed this issue with Wilbur many times because, obviously, he had been a former Secretary of HEW and I had been; so we discussed it back and forth many times, as I have discussed it with Bob Ball many times. Because after all, he was an important official in the Social Security Administration when I was the Secretary of HEW.

I am impressed by their recommendation that both Wilbur Cohen and Robert Ball, because of the fact that they have lived through this experience in a very definite way and have reached this particular conclusion. I feel that conclusions of that kind are entitled to very serious consideration.

The CHAIRMAN. Which they most certainly will receive.

Mr. FLEMMING. But I cannot over-emphasize the fact that the present condition of Social Security is serious, very serious, all that you have said, and all that other people have said. I feel that that arbitrary and capricious reduction in their staff from 80,000 to 63,000 was designed to undermine the Social Security system.

The CHAIRMAN. And we have testimony that it may be doing just that.

Mr. FLEMMING. Commissioner King has testified to the fact that we need 5,000 people if we are going to adequately deal with this disability problem. But where is the advocate—

The CHAIRMAN. Where is the Commissioner?

Mr. FLEMMING [continuing]. For that kind of a solution?

The CHAIRMAN. Right. I think I will leave it at this, if I may, with great thanks, and to say that we want someone, would you agree, that we want someone who when he wants to see the President of the United States can get into the room.

Mr. FLEMMING. He should be in the Cabinet.

The CHAIRMAN. Right. He calls up the Cabinet Secretary and says, I would like to see the President. He cannot do it every day. No one needs to do it every day. But I have to see him. And it may be the kind of situation where, Mr. President, you have a choice between me and your Office of Management and Budget. You know, you can take one or the other because I am quite capable of quitting.

Mr. FLEMMING. I would hope that in your report or some place that you would emphasize the importance of the President considering making the head of the Social Security Administration a member of his Cabinet.

The CHAIRMAN. All right, sir. We will do that.

Mr. FLEMMING. I feel he is entitled to advice from the man who heads the social insurance program.

The CHAIRMAN. I think he needs it.

Mr. FLEMMING. And I feel the other members of the Cabinet are entitled to listen to him. Then I think he should listen to some of their problems related to social insurance, the Social Security system, so that it is appropriate, I feel—I differed with some on this—I thought it was very appropriate to elevate the Administrator of the VA to the Cabinet, so the President could get the advice that he needs to get from the head of the VA.

That is why I think it would be very appropriate for this person, for this Chairman of the Board or an administrator, to be a member of the Cabinet so that issues involving this very important peo-

ple's program, involving a 100 million or more people, are placed before him and he considers them.

The CHAIRMAN. Well said and we will so state. We very much thank you. We have one more panel and we have to hear it before the Senate rules require us to close up. Thank you very much, each of you.

I am going to declare a 1-minute recess so I can go down this way. Thank you.

[Whereupon, at 11:25 a.m., the hearing recessed and resumed at 11:30 a.m.]

The CHAIRMAN. And now we have a concluding panel of persons who are involved in these matters, public interest groups. We have three in number. First, Mr. John Gage, who is the president of Local 1923 of the AFGE. Being from Baltimore, I have to think you must be associated with the Social Security—

Mr. GAGE. We represent both Social Security and HCFA employees at headquarters in Baltimore.

The CHAIRMAN. Ms. Eleanor Litwak who—do I have that correct?

Ms. LITWAK. Litwak, Litvak, however you want to use it.

The CHAIRMAN [continuing]. Who is the president of the New York State Council of Senior Citizens and a member of the executive board of the National Council of Senior Citizens. We welcome you, Ms. Litwak.

And Mr. Shreve, who is a member of the Board of Directors of the AARP. One of the nice qualities of the American Association of Retired Persons is that they have enough offices we always get to meet someone new on these occasions.

Mr. SHREVE. Thank you.

The CHAIRMAN. I will have to, under our Senate rules, conclude by noon. But we have plenty of time. I think we will just follow our normal pattern. Mr. Gage, you are first on the list.

**STATEMENT OF JOHN GAGE, PRESIDENT, LOCAL 1923, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, BALTIMORE, MD**

Mr. GAGE. Thank you, Senator. Employees of Social Security view the establishment of SSA as an independent agency as a practical necessity. Employees know too well the merits of the arguments on behalf of establishing SSA as independent.

After all, it was our integrity that was bruised by the politically-based swings in policy over the last decade. And no one knows better just how damaging the revolving-door Commissioner scenario has been.

Even now when crucial decisions by a new administration are being made, SSA remains effectively unrepresented at the HHS budget table, again receiving additional reductions in staffing on top of our already deteriorating infrastructure.

Also the State Disability Determination Service Agencies are scheduled for reductions in both staffings and actual dollars under the proposed fiscal year 1994 budget. This is true, even though the budget document acknowledges that pending claims for disability will rise from approximately 800,000 in fiscal year 1993 to 1.3 million by the end of fiscal year 1994.

The decisions driving these cuts are often made by lower echelon Health and Human Service personnel whose knowledge and concern for our situation is cursory and of low priority.

The administrative arguments for establishing SSA as an independent agency center on reducing the wasteful duplications between SSA and HHS. We certainly agree with those arguments.

Our work force realizes, Senator, that our future lies in becoming a versatile, cross-trained commodity with the ability to adjust to new workload situations. We want to become a smart operational resource that gets the job done in a reliable, ethical and beneficiary conscious manner.

Our union has embraced many of the ideas represented by the initiative of reinventing government. While we are not suggesting ways to modify the Federal Government, we know what does not work for SSA and we have a good idea of what will.

The CHAIRMAN. Could I interrupt to say—

Mr. GAGE. Yes.

The CHAIRMAN [continuing]. It was a pleasant thing to open the newspapers and find AFGE say, yes, that sounds good instead of saying never.

Mr. GAGE. Thank you, Senator. We appreciate that.

The good ideas associated with reinvention haven't a chance at SSA if SSA remains fettered within HHS. The HHS and General Services Administration impact on our programs, personnel system and space management is an obstacle course of delay and confusion; unnecessary hoops which tax our energy, frustrate our initiatives and drain our enthusiasm.

Time after time initiatives agreed upon at SSA simply twist in the wind at the HHS approval level. Just in my business, the labor-management concerns, one critical problem at SSA concerns lower grade clerical employees who were left at the gate during the 1980's and stagnated in grade.

To address the problem a top level union/management committee was set up which included all of the Deputy Commissioners. The committee's findings and novel recommendations had to be submitted to HHS where they currently languish without word or reaction.

The HHS structure imposed on SSA results in two personnel systems—the SSA field offices administered by HHS Regional offices, and the rest of SSA administered by SSA's own personnel office. Different forms and different procedures are imposed by the respective HHS Regions acting above negotiated agreements which add unnecessary confusion and inequities.

Just look at the mess created by the intentional underpayment of overtime rates to SSA employees. After 6 years of litigation and carrying each Fair Labor Standards Act case through every appeal, HHS lawyers, pretentious and patronizing even in defeat, now when ordered to pay say that HHS misplaced boxes of payroll records.

I have always thought it ironic that SSA is responsible for delivering benefit checks to 39 million beneficiaries but cannot be trusted to administer payroll checks to its own employees. Whatever abilities HHS has, operational functions are not among them. SSA

employees deserve better and demand better personnel and administrative services.

I thought you would be interested, Senator, that this summer AFGE and SSA finished negotiations on our fourth general National Contract. I know you were an advocate of collective bargaining.

The CHAIRMAN. I guess I drafted Executive Order 10922 for President Kennedy in 1960.

Mr. GAGE. It was the start of it all.

I remember this summer the union and management team wrestling over a relatively minor, but stickler of an issue, involving inclement weather. Heavy snow in northern cities sometimes forces our facilities to close early. Most of the time schools close even earlier. SSA and the union were not in disagreement that parents who reported to work and took leave because of school closings would only be charged leave from the time they left work up to the time the facility closed.

Unbelievably, HHS has a regulation requiring leave to be charged up to the time the employee's regular shift is over, even though the facility had already closed. The time and energy spent on this issue by SSA management and the union was not because of any disagreement, but only in trying to comprehend the HHS rule and devising ways to get around it.

SSA's problems are serious and challenging enough without the defeating prospect of being overruled or second guessed by an unnecessary layer of bureaucracy. The relationship between HHS and SSA cannot really be fixed despite the good intentions of Secretary Shalala. We are not really interested in waiting for a reform of HHS or GSA for that matter.

Our own problems at SSA are too pressing and we want to be about our business. Trying to fix HHS to be more responsive to SSA does not seem to be worth the effort because so much more can be accomplished by the establishment of SSA as an independent agency.

Senator, I am going to conclude my statement there. There are a few other situations, but I think you get the point. But I do want to take just a second to say on behalf of our employees that we have the greatest respect, admiration and appreciation for your work on behalf of Social Security over the years. Senator, I truly thank you on behalf of our employees.

The CHAIRMAN. Thank you, Mr. Gage.

[The prepared statement of Mr. Gage appears in the appendix.]

The CHAIRMAN. And now on behalf of the National Council of Senior Citizens, we welcome Ms. Litwak.

**STATEMENT OF ELEANOR LITWAK, PRESIDENT, NEW YORK STATE COUNCIL OF SENIOR CITIZENS AND MEMBER, EXECUTIVE BOARD, NATIONAL COUNCIL OF SENIOR CITIZENS, NEW YORK, NY**

Ms. LITWAK. Thank you, Mr. Chairman. I want to thank you again, and the committee, for inviting the National Council of Senior Citizens to testify today on the issue of establishing an independent Social Security Administration.



Mr. Chairman, this hearing comes at a most opportune time because it provides us with the opportunity to reaffirm our bedrock support for the concept of social insurance in the face of widespread attacks on the needs of older persons, persons with disabilities, and persons in critical need of health services.

Over the coming months, the Congress and the administration will be considering a variety of meat cleaver cuts in so-called entitled programs in the name of deficit reduction. We believe that the Balanced Budget Amendment will target Social Security for substantial cuts.

There may be new bills introduced to means-test Social Security COLAs and Medicare benefits. Early drafts of the administration health reform plan include massive reductions in outlays for Medicare and Medicaid—components of the Social Security Act.

Mr. Chairman, we view your proposal to establish an independent Social Security Administration as a clear signal that you and the Congress will not tolerate a politics-as-usual approach to Social Security. Your proposal would acknowledge that the Social Security Administration is now the Federal Government agency with the largest budget responsibility—larger even than the Defense Department.

In tandem with a final resolution of the need to bring the administrative expenses of the SSA fully “off-budget,” the independent agency proposal will make a powerful argument in law that this government is fully committed to continue adequate financial support to retired and disabled persons and their dependents.

I should note, as has been noted several times, and particularly by you, Mr. Chairman, that had Social Security been an independent agency 9 months would not have elapsed before a head would have been appointed.

Mr. Chairman, just last week Vice President Gore related the “National Performance Review” report on reinventing government. That review highlighted the Clinton Administration’s goals for a more effective government: cutting red tape; putting the customer first; empowering employees to get results; and, getting back to basics.

Your proposal to create an independent Social Security agency would help President Clinton meet such goals. An independent agency could avoid the red tape of the HHS budget, policy and staffing process and move toward more targeted and rational decisionmaking in executing its obligations to sustain the nation’s retirement income system. An independent appropriate request, freed from cut-the-budget rhetoric, would be efficiently acted on by the President and the Congress.

The “customer” of the Social Security system is the American people and not the bureaucratic interests of another department of government. An independent agency could clarify its mission in service to retired and disabled persons and upgrade its responsiveness to 42 million beneficiaries and their families.

We believe that an independent agency with “off-budget” administrative resources can restore staffing and employee morale that the last decade has decimated. I want to interpret that.

This is a sense of dejavu that I am experiencing here. A few years ago I testified for Congressman Matan with an officer of the

FGE in New York and with an office of the AARP. So I have a sense that we are somehow all here together again in this wonderful chamber.

The resources, the staff, the morale of Social Security in the last decade or so have been severely tried, have been severely diminished.

Finally, an independent agency can get back to the basic issue that is troubling our members and millions of young people, confidence in this system and its future. All of these can be an outgrowth of passage of your proposal, together with adequate restaffing of the Social Security ranks, off-budget consideration and administrative needs, and the appointment of outstanding leadership at the top.

Mr. Chairman, some critics of your proposal suggest that independent would result in isolation of the Social Security Administration from other vital governmental functions residing in HHS, including Medicare and Medicaid, the Older Americans Act and the National Institute on Aging. Independence, they say, may also deny Social Security a seat at the Cabinet table through the HHS Secretary.

We believe these scenarios have no merit, with all due respect to Secretary Shalala. I do believe her point of view is not correct. Local Social Security offices are not yet one-stop HHS service centers for the elderly and HHS service integration has been slow to develop over the years.

We also believe that any President, particularly this President, would want an independent Social Security agency with its great impact on Federal fiscal decisions to join in direct Cabinet discussions.

Finally, every President, every member of Congress, knows that the American people experience government most intimately through three agencies—the Post Office, the IRS, and the Social Security Administration.

We believe that a reinvigorated, independent Social Security agency would respond to its new sense of mission and inspire the public confidence that is vital to its success.

Mr. Chairman, you, your committee members, all of us, are fully aware of the devastating effects of this past decade's policies on Social Security. The Social Security Administration lost its previously enviable reputation for fast, accurate and efficient response to the inquiries put to it by millions of its beneficiaries.

From my own experience as head of a very large retirees program at District Council 37, AFSCME—

The CHAIRMAN. The AFSCME.

Ms. LITWAK. Right. Okay, I will go it your way, AFSCME.

The CHAIRMAN. All right.

Ms. LITWAK [continuing]. In New York City, I can say with certainty that it came to such a pass that I advised our retirees to call Social Security three times with their inquiry. If they received the same response two out of the three times, they could make the guarded assumption that the Social Security agency was probably giving them an accurate answer to their inquiry. That is no way to run a government.

We at the National Council have put this out in an attempt to run it better. This is an NCS guide to Social Security for Women. It is now in the process of being redone.

Now, as you know, Mr. Chairman, there is this difference of opinion that has been expressed here today regarding the relative merit of an independent agency administered by a bipartisan board or an agency directed by a presidentially-appointed and Senatorially-confirmed administrator.

Our organization has long held that a bipartisan board with a fixed term remains the better guarantor against political manipulation. Others suggest that presidential appointment of an agency director would provide greater political support to the agency.

NCSC believes that whatever form the final structure takes, the agency chief executive should face Senate confirmation and must have direct access both to the Congress and the Office of the President.

What we urge is not total insulation from politics—that is impossible—but reasonable protection from improper political manipulation and from nonpartisan bureaucratic straightjackets.

To quote you, Senator Moynihan, “. . . For years this agency has been plundered by the Office of Management and Budget for short-sighted budget savings and managed according to ideological precepts . . .”

A profound disservice has been perpetrated upon the American people. At a time when the Social Security is in better financial condition than ever before, polls show that more than half of non-retired adults believe that Social Security will not be there for them.

I include among these baby boomers my own son and son-in-law, both products of first-class university educations. SSA has been the victim of a campaign of half-truths and downright lies carried on by persons and institutions intent upon their own agendas.

Such a campaign would be considerably less potent were the Social Security system independent and strong enough to withstand the politization of its purposes and policies. Freeing its administration operations from short-term political influences would strengthen its ability to deliver its long-term commitments.

NCSC commends you, Senator Moynihan, for having introduced your proposal to set up an independent Social Security agency. We feel that, coupled with taking the administrative expenses of Social Security off-budget and implementing the SSI modernization recommendations, young and elderly beneficiaries and their families and fellow citizens will be greatly reassured that the program upon which they are so dependent will no longer be a “political football” to be kicked around.

Thank you.

[The prepared statement of Ms. Litwak appears in the appendix.]

The CHAIRMAN. Thank you, Ms. Litwak. There is a remark made that data is the plural for anecdote. [Laughter.]

You are absolutely right. When your son and your son-in-law, university graduates—

Ms. LITWAK. And a mother and a mother-in-law who really cares a lot about Social Security, they still do not think it is going to be there.

The CHAIRMAN. I am sure your mother believes in it, but her heart is not still.

Ms. LITWAK. That is right.

The CHAIRMAN. And if any one of those young persons were to find themselves receiving, for example, an annual statement to tell what they contributed and what they would get and what their survival benefits are if they are married.

Ms. LITWAK. With children.

The CHAIRMAN. Things like that. But, no.

Well, Mr. Shreve, you are our anchor person, our wrap-up. We welcome you and we look forward to your remarks.

**STATEMENT OF ROBERT P. SHREVE, ED.D., MEMBER, BOARD OF DIRECTORS, AMERICAN ASSOCIATION OF RETIRED PERSONS, YOUNGSTOWN, OH**

Mr. SHREVE. Thank you, Mr. Chairman. The American Association of Retired Persons appreciates the opportunity to present its views on establishing an independent agency to administer Social Security.

Currently within the Department of Health and Human Services, Social Security is the largest Federal agency without independent status. AARP supports making SSA independent because it would help ensure that the program is administered in a stable and professional manner.

Also, an independent Social Security Administration represents an important step toward rebuilding public confidence in the program. Confidence in SSA has eroded in part because of the agency's long-standing problems now in management and service delivery.

Throughout most of its history, SSA was hailed as a hallmark Federal agency, providing quality service to the public in a cost-effective way. However, since 1978 the agency has undergone frequent turnover in high-level agency personnel and administrative reorganizations have displaced staff at all levels and disrupted administrative functions.

As a result, SSA has lacked the consistent direction to correct long-standing problems in management and service delivery to adequately control its systems modernization effort and to focus on personnel issues.

SSA's status, as part of the Department of Health and Human Services, has made it more difficult for SSA to operate solely from a Social Security-based agenda. This is because the HHS Secretary understandable cannot always make Social Security the number one priority.

The most conspicuous example of these difficulties is the Office of Management and Budget directed 5-year 17,000 person staff reduction which was implemented from 1985 through 1990. The over 20 percent downsizing has affected the quality of service, especially in the disability area.

The reduction was unwarranted since the program's administrative costs financed out of the trust funds are extremely low. This policy was adopted as a budget gimmick without regard to what is best for Social Security. Budget gimmickry has no place in a program of such vital importance.

Current and future beneficiaries must know that they can count on a Social Security system which provides a competent, effective humane means of delivering the services associated with these benefits. Making Social Security independent reaffirms the stability of the social contract between the American people and their government which has lasted for nearly 60 years.

It would be a clear signal to the American people that Congress is committed to protecting the Social Security program for the long term. I, too, have three sons that are thirty-something; and my colleague on the panel stated it accurately in terms of their beliefs.

The CHAIRMAN. And here you are a member of the Board of the American Association of Retired Persons.

Mr. SHREVE. Yes, sir. But they are not too sure that dad has it right.

The CHAIRMAN. That is right.

Mr. SHREVE. We look forward, Senator, to working with Congress toward making Social Security an independent agency. Thank you very much.

The CHAIRMAN. Thank you very much.

[The prepared statement of Mr. Shreve appears in the appendix.]

The CHAIRMAN. I can say to all three of you, but this to Mr. Shreve, in terms of the situation of the Secretary of HHS, who is becoming the Secretary of Health, once—I do not know how long ago, and do not hold me to my memory on this—I just got the Congressional Directory and I counted the number of names between the Secretary of HHS and the Commissioner of Social Security. I think it was something like 147.

I mean, try it yourself. It is an easy experiment. You are welcome to come in the back room. We have the Congressional Directory. The Commissioner does not have to go through every one of those persons, obviously not. But that distance is far away.

But I was thinking the other day, and I will just close on this note if I can. We mentioned the Brownlow Commission, that President Roosevelt set up in 1937 in his Committee on Administrative Management. One of the members was Luther Gulick, who was a Professor of Public Administration at Columbia. A very distinguished man.

He was once down here in Washington doing some little chore for President Roosevelt, who would have known him from New York days, and he went by to see the President. It was on a management issue. He was saying, you know, Mr. President, the Social Security money contributions are coming in pretty rapidly now and we have all these people sitting in rows with pen and ink and little nibs putting down each 7 cent or 18 cent contribution. He said, this is a pay-as-you-go system, you know. We just take in the money and we pay it out. As a matter of economics, it would be much better to do it without keeping such detailed records.

Then Roosevelt, because Gulick wrote all this down, Roosevelt said, Luther—and you can just hear Roosevelt saying it—Luther, I am sure you are right on the economics, but you know my program and this issue has nothing to do with economics. I want every American to have a Social Security account with their name on it and their number on it so that no damn politician can ever take that money away from them.

I was thinking one day about this and I wondered about what Luther Gulick had done after those days. This would be 1940. I looked him up in "Who's Who" and he was not there. I thought, oh, God, Luther Gulick never got into "Who's Who." That is not fair. So I sought another volume, more recent, a second volume, and he was not in that. Well, that is not fair.

Then just randomly I looked up in "Who's Who in America, 1992," and there is Gulick, Luther C., and he is living in the little village of Pottsdam on the St. Lawrence River in upstate New York.

I just wanted to talk to him. So I called the police chief of the village and asked if Dr. Gulick was still around in Pottsdam. Oh, yes, Dr. Gulick, sure. He is down there on Spring Street. So I called him and he answered the phone. He recalled this instance as clearly in his mind as Easter bells. He died at age 100 earlier this year.

But they knew what they wanted to do. They wanted the people to know they had a social contract, and it is now slipping away. You know, if something like that takes 50 years to slip away, it takes 50 years to get it back.

I do not know why we cannot seem to understand this. But I am very much appreciative to each of you for coming here to testify. We have had unanimous testimony, apart from the Secretary, from across generations, across activities. If we cannot do this, how are we going to do health care reform?

Thank you all very much.

Mr. GAGE. Thank you, Senator.

Mr. SHREVE. Thank you, Senator.

The CHAIRMAN. I thank our staff. I thank our reporter.

[Whereupon, at 11:55 a.m., the hearing was adjourned.]

# APPENDIX

## ADDITIONAL MATERIAL SUBMITTED

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### PREPARED STATEMENT OF JOSEPH F. DELFICO

Mr. Chairman and Members of the Committee: I am pleased to be here today to participate in the discussions about the possible establishment of the Social Security Administration (SSA) as an independent agency. I wish to discuss several issues that we believe should be addressed as part of these deliberations.

Our views stem from work we have conducted over the past 5 years on SSA's management and operations; our studies of the management effectiveness of the independent regulatory agencies; and studies by others.

Over the years many arguments both for and against SSA's independence have been put forward. For the most part, these arguments have tended to counter each other such that we have found no compelling basis either to favor the status quo or favor independence. However, one new event, health care reform might tip the balance. It will undoubtedly have a major impact on HHS and its operations and could, over the foreseeable term, monopolize the Secretary's attention and divert it from the critical issues SSA faces over the next decade.

As the debate on health care reform unfolds and HHS' role and involvement become clearer, we need to ask whether HHS can continue giving SSA the support it needs, as SSA tries to respond to major changes in Social Security programs.

### HOW BEST TO SET UP AN INDEPENDENT SSA

Should SSA become an independent agency, a single administrator would likely be the best management structure. We base this on our reviews of the management experience of different agencies and on the studies of others. For managing an agency, governing boards are inevitably slow, cumbersome, wasteful and ineffective.<sup>1</sup>

Also, establishing a board to manage SSA, as proposed in some recent legislation, would be counter to the findings and recommendations of the first and second Commissions on Organization of the Executive Branch of the Government (Hoover Commissions), the President's Advisory Council on Executive Organization (Ash Council), Congressional Panel on Social Security Organization, National Academy of Public Administration, and the Commission on Railroad Retirement.

Some argue that an SSA management board could give the Congress and the executive branch a valuable source of diverse, informed opinion about major social security policy issues. We don't question that, but we believe such an end could be achieved without sacrificing management effectiveness by making the board advisory rather than governing in nature.

Also, if made independent, we would support delegating to SSA specific management authorities for personnel, the acquisition and maintenance of facilities, and the procurement of automated data processing equipment and related services. Providing greater flexibility and incentives for managers to act is critical to fundamentally improving agencies' performance.

Such delegations of authority would reflect the concerns of the National Academy of Public Administration, the Grace Commission, and more recently the National Performance Review group that operating restrictions imposed on government managers by GSA and OPM have impeded efficient and effective management. Controls exercised by the central management agencies tend to diffuse accountability for results and have often hindered rather than supported a federal agency's ability to accomplish its mission.

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<sup>1</sup>Social Security: Leadership Structure for an Independent Social Security Administration GAO/HRD-89-154, Sept. 13, 1989.

The delegations of management authority should not occur until the Director of OPM and the Administrator of GSA determine that SSA has the requisite management expertise and appropriate controls in place to carry out the delegated functions. While we support removal of detailed controls, the central management agencies have an appropriate role in ensuring that policy and regulations are applied consistently throughout the federal government.

We would make a cautionary note about filling SSA's top management positions, or the chief operating officials, with political appointees. Under proposed legislation (S. 33) previously introduced by the Senate to create an independent social security administration, the Commissioner would appoint the following operating officials: Deputy Commissioner, Solicitor, Beneficiary Ombudsman, Chief Administrative Law Judge, Chief of Computer Systems Operations, Director of Research, and Chief Actuary. Currently, most of the chief operating positions at SSA are career status positions.

If made independent, we believe the staff in the agency's chief operating positions should continue having career status to provide operational continuity and an institutional memory. An example of this is SSA's principal deputy position. In 1987, we recommended this position be established to provide continuity between commissioner appointments and to provide a ready historical reference about SSA's operations. Since this individual is responsible for the day to day management of the agency, it should be a career position. This would provide greater continuity in SSA's top management team, increased institutional memory about the causes and implications of SSA's management problems, and help depoliticize the agency—a key reason cited by Congressional proponents for making SSA independent.

#### RESTRUCTURING AND REORGANIZING SOCIAL SECURITY MANAGEMENT

Over the past decade the management of the Social Security Administration has steadily improved. Our earlier concerns about SSA's ability to manage itself as an independent agency have been diminished somewhat. Despite this improvement, however, SSA is facing major management challenges as it prepares for the influx of the retirement of the baby boom population. The disability program and the Supplemental Security Income program are experiencing a major growth in the benefit rolls. Today more persons receive disability benefits than ever before. This rapid growth has spawned a deterioration in services exemplified by the unacceptably long time it takes to make disability decisions.

Whether independent or not, moreover, SSA needs to substantially reengineer its business practices, upgrade technology and reorganize to be more responsive to customer needs. To help do this, SSA can learn from the private sector. Over the past 10 years the private sector has had to increasingly respond to changing customer needs. By decentralizing, and moving to smaller product centered organizations, some major corporations have made themselves more flexible and responsive. While most private sector entities are not exactly comparable to SSA, there is one driving element they all must share to be successful—respond to customer needs.

Restructuring government to better serve, people is a complicated and arduous task, particularly when the agency and programs in question historically have been among America's most successful. Experience tells us there is no simple formula for bringing about the betterment we all seek, but we would be pleased to continue to work along with you and your committee, Mr. Chairman, in helping to determine the best ways to proceed.



## PREPARED STATEMENT OF ARTHUR S. FLEMMING

I. Introduction

- A. I am honored by the opportunity to appear before the Committee on Finance to discuss Senator Moynihan's proposal to make the Social Security Administration a separate agency.
- B. First of all, I would like to express my deep appreciation for the creative leadership which Senator Moynihan has provided the Social Security system.
  - 1. He has shown his deep interest in improving the system.
  - 2. In doing so, however, he has always demonstrated that his primary interest is in the individual--how he can help him in his journey through this life.
  - 3. I would like to apply his test by asking: Would his proposal make it possible for the national community do a better job in helping the individual deal with some of the hazards and vicissitudes of life?

II. Body

- A. The Save Our Security coalition (SOS) which I represent today, has been led in their consideration of this issue, by two men who were closely associated with the development and implementation of the system.
- B. I refer first of all to the late Wilbur Cohen who founded SOS in 1979.

In testimony on behalf of SOS on July 30, 1984 he said:

"We believe the policy and administration of the agency should be under a Board. This was the majority view of the National Commission on Social Security (1981) on which Robert J. Myers and I served. It was the view also of a substantial number of the members of the National Commission on Social Security Reform (1983).

"I was the Technical Advisor to the Social Security Board for the entire duration of its existence (1935-1946) and subsequently Technical Advisor to three Commissioners of Social Security (1946-1955). Then as Assistant Secretary, Under Secretary and Secretary for eight years (1961-1969). During this time, I worked closely with two Commissioners.

"Thus, I had nearly thirty years of close working association with several different organizational structures in Social Security. From my experience, I strongly favor removing SSA from HHS and restoring it to the independent status of a Board as it was from 1935-1946. It worked well then and I believe would work even better now."

2. It would be difficult for me to over-emphasize the support for his position that Secretary Cohen received from the members of SOS.
3. In my judgment the events of the late 80s would simply reinforce his conviction that a three-member independent board "would work even better now."

C. In the second place I refer to the testimony of former Commissioner Robert Ball.

1. In testimony before the Subcommittee on Social Security and Family policy of the Finance Committee he said:

"I was Commissioner of Social Security from 1962 to 1973. Prior to my appointment by President Kennedy I was a civil service employee of the Social Security Administration for some twenty years. Since leaving the government in 1973, I have continued to write and speak about Social Security and related programs.

"I am testifying today as the Chair of the Independent Agency and Administration Committee of the Save Our Security (SOS) Coalition.

"SOS believes it would add significantly to public understanding of the trustee character of Social Security as a retirement and group insurance plan if the program were administered by a Board directly under the President.xxx

"Just about every American has a major stake in protecting the long-term commitments of the Social Security program from fluctuations in politics and policy. The administration of Social Security by a separate Board would strengthen public confidence in the security of the long-run commitments of the program and in the freedom of the administrative operations from short-run political influence. It would give emphasis to the fact that in this program the government is acting as trustee for those who have built up rights under the system."

D. Why did the late Wilbur Cohen and Robert Ball state, and re-state before the appropriate committees of the Senate and House of Representatives that Social Security should be handled by a bi-partisan independent board?

1. They saw Social Security as the greatest contributor to the prevention of poverty that has been made by any program in world history.
2. They lost confidence in the arrangement for the leadership of Social Security because they saw that the leadership could not prevent the infiltration of a belief that you could promise the people of this country certain benefits and then tell them you could not provide those benefits promptly because of lack of money.

3. They saw the system, under the leadership provided by present law, sharply deteriorate.
4. They saw that leadership in the 1980s unable to prevent an arbitrary and capricious downsizing of the Social Security Administration from 80,000 to 63,000.
5. They saw the leadership of the 80s unable to deal with a growing backlog of disability cases which the budget says will reach 1,320,000 by the end of 1994.
  - a. This means that persons who file an application for disability will wait an average of 7 or 8 months before they get a reply.
  - b. Persons who file an appeal will wait for an average of two years for action.

E. Here is the testimony of the two leaders who actually devoted the best years of their life to the Social Security system:

1. Wilbur Cohen's

"I sincerely believe that if there had been a Board administering the disability provisions of the Social Security program in 1981, we would not have had the unfortunate recent experience with the administration of the disability program. With a bi-partisan Board, there very likely would have been a "whistle blower" on the Board who would have prevented or moderated the precipitate and uncompassionate implementation of the 1980 amendments.

"Moreover, I also believe a Board would never have unanimously opposed the House-passed disability amendments in the Senate this year. Nor in my opinion would a Board have defied the Courts as has the present Department and Administration.

2. Robert Ball's

"It seems unlikely that under a Board form of organization we would have had the major shifts in the administration of the disability program that has characterized the last several years. A Board with a minority member would have been unlikely to remove hundreds of thousands of people from the disability rolls and later restore benefits to a large percentage of them through the appeals process. Nor would a Board have adopted a policy stance that caused many Governors under contract with Social Security to refuse to carry out Social Security's directions. And a Board would have been unlikely to pursue a course overturned by the courts in literally hundreds of cases.

"I believe, too, a bi-partisan Board would have looked at some of the less visible operations of Social Security--the selection of representative payees and an accounting of their trusteeship, the reinvestigation of disability recipients denied for possible recovery, post-entitlement work generally and the administration of the Supplemental Security Insurance program, including the vigor of the outreach program.

F. Personally, I would like to see the law worded so that a President would be encouraged to include the Chair of the Social Security Board as a member of his Cabinet.

1. I would like to see the chairmanship of the Board serve a term which parallels the term of the President.
2. I would like the Chair to be a person of outstanding qualifications.
  - a. Such a person could assist the President and the Cabinet in their discussion of major Social Security policies.
  - b. Such a person could also assist the President as a general adviser.

### III. Conclusion

- A. I have concluded that when dealing with a people's program--and certainly Social Security is a people's program--it is imperative to keep the authority to act as close to the grass roots as possible.
  1. It is only as we do so that the field official will be able to meet promptly the individual's need.
  2. We should not, by layering, create a situation where action to meet human need is delayed indefinitely while clearances are obtained from a higher authority.
- B. I was a member of President Eisenhower's committee on government organization for eight years--the other two members were Nelson Rockefeller and Milton Eisenhower. Don Price became a member when Nelson Rockefeller became Governor of New York.

1. I was given the responsibility of representing the committee in developing a reorganization plan for creating what became the Department of Health, Education and Welfare.
  2. We made a mistake. Instead of providing for layering above the Social Security agency we should have recommended that Social Security be established as a department with a mandate to delegate authority to act, whenever possible, to the field official who comes in contact with the needs of a member of the system.
  3. By the same token Congress makes a mistake of layering when it requires departments to clear all kinds of administrative action with the Office of Management and Budget, or some other central agencies.
- C. We create layers above the point where the Federal official comes into contact with human need in order to prevent mistakes.
1. Yes, mistakes will be made.
  2. Often times the regulations we promulgate calling for review at higher levels cost far more in dollars and cents and certainly far more in the morale of federal employees at the grass roots.
- D. Finally, Mr. Chairman, I know that your bill calls for a single administrator.
1. Social Security is for all the people.
  2. I feel that when the Republicans are in power it is wise to provide a Democratic voice, and likewise when the Democrats are in power it is wise to provide for a Republican voice.
  3. As a Republican I ask that you give this careful consideration.

## PREPARED STATEMENT OF JOHN GAGE

Senator Moynihan, members of the committee, I am John Gage, President of the American Federation of Government Employees, AFL-CIO (AFGE) Local 1923. Our Local is the largest in the federal sector and the largest white collar local in the country. We represent Social Security Administration (SSA) employees at the Headquarters in Baltimore, SSA district office employees in the Philadelphia Region and Health Care Finance Administration (HCFA) employees at HCFA headquarters. I am here today on behalf of the approximately 55,000 SSA employees represented by AFGE nationwide. Thank you for the opportunity to testify before the committee today.

The employees of Social Security view the establishment of SSA as an independent agency as a practical necessity. Our workforce realizes that our future lies in becoming a versatile cross-trained commodity with the ability to adjust to new workload situations. We want to become a smart operational resource that gets the job done in a reliable, ethical and beneficiary conscious manner.

The employees of Social Security know too well the merits of the arguments on behalf of establishing SSA as an independent agency. After all it was our integrity that was bruised by the politically based swings in policy over the last decade. And no one knows better than we how damaging the "revolving door" commissioner scenario has been. Even now, when crucial decisions by a new Administration are being made, SSA remains effectively unrepresented at the HHS budget table, again receiving additional reductions in federal staffing on top of our already deteriorating infrastructure. Also, the State Disability Determination Service agencies are scheduled for reductions in both staffing and actual dollars under the proposed FY 1994 budget. This is true even though the budget document acknowledges that pending claims for disability will rise from approximately 800,000 in FY 1993 to 1.3 million by the end of FY 1994. The decisions driving these cuts are often made by lower-echelon Health & Human Services (HHS) personnel whose knowledge and concern for our situation is cursory and of low priority. The administrative arguments for establishing SSA as an independent agency center on reducing the wasteful duplication between SSA and HHS. We certainly agree with those arguments. However reducing duplicative structures is only the tip of the iceberg of the administrative efficiencies that would be gained by the establishment of SSA as an independent agency.

Our Union has embraced many of the ideas represented by the initiative of reinventing government. While we are not suggesting ways to model the federal government, we know what doesn't work for SSA and we have a good idea of what will. The good ideas associated with reinvention haven't a chance at SSA if SSA remains fettered within HHS. The HHS and General Services Administration (GSA) impact on our programs, personnel system and space management is an obstacle course of delay and confusion; unnecessary hoops which tax our energy, frustrate our initiatives and drain our enthusiasm.

Time after time initiatives agreed upon at SSA simply twist in the wind at the HHS approval level. One critical problem at SSA concerns lower grade clerical employees who were left at the gate during the 1980's and stagnated in grade. To address the problem a top level union management committee was set up which included all of the Deputy commissioners. The committee's findings and novel recommendations had to be submitted to HHS where they currently languish without word or reaction.

The HHS structure superimposed on SSA results in two personnel systems. The SSA field offices administered by HHS Regional offices, and the rest of SSA administered by SSA's own personnel office. Different forms and different procedures are imposed by the respective HHS Regions acting above negotiated arguments which add unnecessary confusion and inequities.

Just look at the mess created by the intentional underpayment of overtime rates to SSA employees. After 6 years of litigation and carrying each Fair Labor Standards Act case through every appeal, HHS lawyers, pretentious and patronizing even in utter defeat, now when ordered to pay say they misplaced boxes of payroll records. I've always thought it ironic that SSA is responsible for delivering benefit checks to 39 million beneficiaries but can't be trusted to administer payroll checks to its own employees. Whatever abilities HHS has, operational functions are not among them. SSA employees deserve better and demand better personnel and administrative services.

This summer AFGE and SSA finished negotiations on our 4th generation National contract. I remember the union and management teams wrestling over a relatively minor but stickler of an issue involving inclement weather. Heavy snow in Northern cities sometimes forces our facilities to close early. Most of the time schools close

earlier. SSA and the union weren't in disagreement that parents who reported to work and took leave because of school closings would only be charged leave from the time they left work up to the time the SSA facility closed. Unbelievably HHS has a regulation requiring leave to be charged up to the time the employee's regular shift is over even when the SSA facility had officially closed. The time and energy spent on this issue by SSA management and the union was not because of any disagreement but in trying to comprehend the HHS rule and devising ways to get around it.

SSA's problems are serious and challenging enough without the defeating prospect of being overruled or second guessed by an unnecessary layer of bureaucracy. The relationship between HHS and SSA can't really be fixed despite the good intentions of Secretary Shalala. We are not really interested in waiting for a reform of HHS or GSA for that matter. Our own problems at SSA are too pressing and we want to be about our business. Trying to fix HHS to be more responsive to SSA doesn't seem to be worth the effort because so much more can be accomplished by the establishment of SSA as an independent agency. We do not subscribe to the argument that having SSA within HHS enhances coordination with SSA related Departmental programs. Such coordination will occur in any case.

Over the years of successful administration of SSA, we believe we have demonstrated the commitment and talent of our workforce. All that is right with SSA flows directly from what is still our number one resource—our people. We sincerely assure you that establishing SSA as an independent agency will reinvigorate our talents and enthusiasm and we will recreate SSA into the class operation that it once was, and that we all know and wish it to be again.

Finally, care should be taken in both the word and intent of the bill to assure that proper union security is maintained. Despite occasional flare ups, our labor/management relationship is quite sophisticated and working as well as can be expected given the unwanted and unnecessary outside interference. Our employees, management and union are all well poised to successfully implement our part of establishing SSA as an independent agency. Reorganizing the union out of its lawful recognition would cause unnecessary turmoil and lead to many complications which would adversely affect our joint efforts.

This completes my statement. I would be happy to try and answer any questions that the members of the committee might have. Again, thank you for this opportunity to testify before this Committee.

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#### PREPARED STATEMENT OF SENATOR CHARLES E. GRASSLEY

Mr. Chairman, thank you for returning with this hearing to the question of whether the Social Security Administration should be an independent agency.

In considering this question, we need to keep in mind that confidence among younger people in the Social Security program has eroded greatly. Many do not think they will ever receive the benefits for which they are now contributing.

It therefore seems clear that we should be guided by the principle that we should do everything we can to organize and administer the social security program so that the public is justified in having a high degree of confidence in it.

Making the Social Security Administration an independent agency may help us do this. I am inclined to think that it will.

As I understand it, a majority of the members of the National Commission on Social Security Reform concluded that "it would be logical to have the Social Security Administration be a separate independent agency . . .," and recommended a feasibility study on the question.

At least three studies that I am aware of have been undertaken to examine *how* an independent Social Security Administration should be organized.

The House of Representatives has voted three times to make the Social Security Administration an independent agency. And this Committee has also supported this step.

However, I understand that the Clinton Administration, as did the Bush Administration, opposes taking Social Security out of the Department of Health and Human Services. And, at the risk of misrepresenting their testimony, I understand that the General Accounting Office states that they can find no compelling reason to make the Social Security Administration an independent agency.

So, I hope we can have a good airing of the pros and cons of making the Social Security Administration an independent agency during our hearing today, Mr. Chairman, to help us lay to rest any doubts we may have about taking such a step.

## PREPARED STATEMENT OF ELEANOR LITWAK

Mr. Chairman and Members of the Committee on Finance, my name is Eleanor Litwak. I am a resident of Scarsdale, New York, and the President of the New York State Council of Senior Citizens, as well as a member of the Executive Board of the National Council of Senior Citizens. I want to thank the Committee for inviting the National Council of Senior Citizens to testify today on the issue of establishing an independent Social Security Administration.

Mr. Chairman, this hearing comes at a most opportune time because it provides us with the opportunity to reaffirm our bedrock support for the concept of social insurance in the face of widespread attacks on the needs of older persons, persons with disabilities and persons in critical need of health services. Over the coming months the Congress and the Administration will be considering a variety of meat cleaver cuts in so-called entitlement programs in the name of deficit reduction. We believe that the Balanced Budget Amendment will target Social Security for substantial cuts. There may be new bills introduced to means-test Social Security COLAs and Medicare benefits. Early drafts of the Administration health reform plan include massive reductions in outlays for Medicare and Medicaid—components of the Social Security Act.

Mr. Chairman, we view your proposal to establish an independent Social Security Administration as a clear signal that you and the Congress will not tolerate a politics-as-usual approach to Social Security. Your proposal would acknowledge that the Social Security Administration is now the Federal government agency with the largest budget responsibility—larger than even the Defense Department. In tandem with a final resolution of the need to bring the administrative expenses of the SSA fully “off-budget,” the independent agency proposal will make a powerful argument in law that this government is fully committed to continue adequate financial support to retired and disabled persons and their dependents.

I should note as has been noted several times, and particularly by you Mr. Chairman, that if Social Security had been an independent agency in January of this year, we would undoubtedly not have had to wait over nine months to see the agency's top position filled by the leader it needs.

Mr. Chairman, just last week Vice President Gore released the “National Performance Review” report on Reinventing Government. That review highlighted the Clinton Administration's goals for a more effective government: cutting red tape; putting the customer first; empowering employees to get results; and, getting back to basics.

Your proposal to create an independent Social Security agency would help President Clinton meet such goals. An independent agency could avoid the red tape of the HHS budget, policy and staffing process and move toward more targeted and rational decision-making in executing its obligations to sustain the nation's retirement income system. An independent appropriation request, freed from cut-the-deficit rhetoric, would be efficiently acted on by the President and the Congress.

The “customer” of the Social Security system is the American people and not the bureaucratic interests of another department of government. An independent agency could clarify its mission in service to retired and disabled persons and upgrade its responsiveness to 42 million beneficiaries and their families.

We believe that an independent agency with “off-budget” administrative resources can restore staffing and employee morale that the last decade has decimated. And, finally, an independent agency can get back to the basic issue that is troubling our members and millions of young people—confidence in the system and in its future.

All of these can be an outgrowth of passage of your proposal, *together with* adequate restaffing of the Social Security ranks, “off-budget” consideration of administrative needs and the appointment of outstanding leadership at the top.

Mr. Chairman, some critics of your proposal suggest that independence would result in isolation of the Social Security Administration from other vital governmental functions residing in HHS, including Medicare and Medicaid, the Older Americans Act and the National Institute on Aging. Independence, they say, may also deny Social Security a seat at the Cabinet table through the HHS Secretary.

We believe these scenarios have no merit. Local Social Security offices are not yet “one-stop” HHS service centers for the elderly and HHS service integration has been slow to develop over the years. We also believe that any President, particularly this President, would want an independent Social Security agency, with its great impact on Federal fiscal decisions, to join in direct Cabinet discussions. Finally, every President and every Member of the Congress knows that the American people experience government most intimately through three agencies—the Post Office, the IRS and Social Security. We believe that a reinvigorated, independent Social Security agency would respond to its new sense of mission and inspire the public confidence that is vital to its success.



Mr. Chairman, you and this Committee are fully aware of the devastating effects of the past decade's policies on Social Security. The Social Security Administration lost its previously enviable reputation for fast, accurate and efficient response to the inquiries of its millions of beneficiaries. From my own experience as head of a large retirees program at District Council 37, AFSCME in New York City, I can say with certainty that it came to such a pass that I advised our retirees to call three times. If they received the same response two out of these three times, they could make the guarded assumption that the Social Security agency was probably giving them an accurate answer to their query. That is no way to run a government.

As you know, Mr. Chairman, there is a difference of opinion regarding the relative merit of an independent agency administered by a bipartisan board or an agency directed by a Presidentially-appointed and Senatorially-confirmed administrator. Our organization has long held that a bipartisan board with fixed terms remains the better guarantor against political manipulation. Others suggest that Presidential appointment of an agency director would provide greater political support to the agency. NCSC believes that whatever form the final structure takes, the agency chief executive should face Senate confirmation and must have direct access to both the Congress and the office of the President. What we urge is not total insulation from politics, but reasonable protection from improper political manipulation and from nonpartisan bureaucratic straitjackets. To quote you, Senator Moynihan, "... For years this agency has been plundered by the Office of Management and Budget for shortsighted budget savings and managed according to ideological precepts. . . ."

A profound disservice has been perpetrated upon the American people. At a time when the Social Security system is in better financial condition than ever before, polls show that more than half of non-retired adults believe that Social Security will not be there for them. I include among these my own son and son-in-law, both products of first-class university education. SSA has been the victim of a campaign of half-truths and downright lies carried on by persons and institutions intent upon their own agendas. Such a campaign would be considerably less potent were the Social Security system independent and strong enough to withstand the politicization of its purposes and policies. Freeing its administrative operations from short-term political influences would strengthen its ability to deliver its long-term commitments.

NCSC commends you, Senator Moynihan, for having introduced your proposal to set up an independent Social Security agency. We feel that, coupled with taking the administrative expenses of Social Security off-budget and implementing the SSI modernization recommendations, young and elderly beneficiaries and their families and fellow citizens will be greatly reassured that the program upon which they are so dependent will no longer be a "political football" to be kicked around.

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#### PREPARED STATEMENT OF SENATOR DANIEL PATRICK MOYNIHAN

We meet this morning for a hearing on a proposal to remove the Social Security Administration from the Department of Health and Human Services and establish it as an independent agency of the executive branch. With this proposal we hope to increase public confidence in Social Security by giving the agency more visibility and accountability, by improving administrative efficiency, and by insulating the agency from partisan politics.

This, of course, is not a new notion. The Social Security program was originally administered by an independent agency in the 1930s. By the late 1970s there were proposals to return the agency to this status. In 1980 the National Commission on Social Security recommended it. In 1983, the National Commission on Social Security Reform, the so-called Greenspan Commission, on which I served with the distinguished Republican Leader, Senator Dole, repeated the call to make the Social Security Administration an independent agency. In the Social Security Amendments of 1983, Congress empanelled a study group to report on the best way to implement the proposal. This study panel, headed by the distinguished former Comptroller General of the United States, Elmer Staats, reported its findings and recommendations in 1984. Mr. Staats joins us as a witness this morning to discuss those recommendations.

We have asked our witnesses for their views on a bill I introduced in the last Congress to make SSA an independent agency. That legislation, S. 33, was based on the recommendations of the Staats study panel. Under that proposal, SSA would be headed by a Commissioner to be appointed by the President with the advice and consent of the Senate. The bill also provided for a bipartisan, part-time advisory board to make recommendations on policy issues.

The idea of making SSA an independent agency enjoys broad-based, bipartisan support for a number of reasons. First, the sheer size of the agency argues for independence. SSA employs 64,000 workers in a national network of 1300 offices. This is more than twice the number of employees at the State Department and three times the number of workers employed by the Department of Labor. And with a budget of nearly \$300 billion, SSA will spend more this year than the Department of Defense and nearly ten times as much as the Department of Education. In fact, SSA's outlays this year will be larger than the combined outlays of 11 federal departments. It simply defies common sense for an agency this large to be included under an umbrella bureaucracy.

Next is the matter of public confidence in Social Security. While the Social Security program is our most successful domestic program, public opinion surveys consistently show that a majority of non-retired adults are not confident that the program will be there for them when they need it. I believe one reason for this is that you send in your FICA contributions every week but you never hear back from the Social Security Administration. A few years ago I got a provision enacted into law that will require SSA to start sending out annual statements to all workers by the end of the decade. This should help. But it cannot help for SSA to be buried in the Department of Health and Human Services. An agency that directly serves virtually every American, that administers a program as important as Social Security, that maintains earnings records for 135 million workers and sends benefits to 40 million recipients—that agency should be visible and accountable to inspire the public confidence the program needs and deserves.

Finally, the agency has just not worked well as presently administered. There has been an instability in leadership and for the past decade the agency has been plagued by managerial and administrative shortcomings. In the sixteen years that I have been on the Finance Committee there have been 12 Commissioners or acting Commissioners at SSA. The last confirmed Commissioner resigned fully a year ago and the Administration has yet to nominate anyone to fill the post. The agency is not allocated the resources it needs to do the job properly. We spend only about 1 percent of Social Security revenues on administration of the program, and the program is awash in surplus funds, yet OMB is still stingy with SSA's budget request. As a result, there is at present a backlog of one million people who have not yet received a determination on their disability claims. This backlog is growing. At the same time, the agency is not conducting required periodic reviews to determine the continuing eligibility of those on the disability rolls. This is extremely short-sighted budgeting, since for every dollar the agency spends on such reviews it saves about four dollars. But there you are.

We must take better care that the Social Security program is properly administered. This is the issue we aim to address with this proposal, and we look forward to the testimony of our distinguished witnesses.

## PREPARED STATEMENT OF ROBERT J. MYERS

Mr. Chairman and Members of the Committee: My name is Robert J. Myers. I served in various actuarial capacities with the Social Security Administration and its predecessor agencies during 1934-70, being Chief Actuary for the last 23 of those years. In 1981-82, I was Deputy Commissioner of Social Security, and in 1982-83, I was Executive Director of the National Commission on Social Security Reform. In 1983-85, I was Chairman of the Railroad Unemployment Compensation Committee, and in 1987-90, I was Chairman of the Commission on Railroad Retirement Reform.

Because of my long-time interest in the Social Security program, I am pleased to be able to testify on establishing the Social Security Administration as an independent agency. Although I believe that the Medicare program, as an important, related component of our social insurance system, should also be administered by the same agency as is Social Security, this time of flux and possible drastic change in our health care delivery system does not seem right for such action.

### Disadvantages of Present Structure of Social Security Administration

The present location of the Social Security Administration as one component of the Department of Health and Human Services (HHS) has a number of serious disadvantages and weaknesses. Somewhat similarly, the fact that the Medicare program has been separated from the Old-Age, Survivors, and Disability Insurance (OASDI) program from an administrative standpoint, and assigned to the Health Care Financing Administration, another component of HHS, also has disadvantages.

The current organizational structure as to the Social Security Administration produces an excessive number of layers of responsibility and authority for programs which represent such immense social and financial magnitude. The making of decisions is excessively slowed down by such layering of authority, including both that in HHS and that in the Office of Management and Budget. As a result, necessary and desirable action is often delayed so long as to be impossible or useless. An outstanding example of this is the infamous "notch" benefits situation in the OASDI program, which could have been greatly alleviated by a feasible legislative change in 1981 (or even earlier), but never surfaced from the layers of review. This problem has been present for a number of years, in both Democratic and Republican administrations.

Still another difficulty with the present subordinate position of SSA is that policy decisions on the OASDI program are often made for reasons other than program ones. In the past, some proposals have been put forth, and even enacted later, for general budgetary reasons, even though they were not good program changes.

It is important to note with regard to general budgetary matters that, over the more than half century of operation of the OASDI program, it has had a cumulative excess of income over outgo -- and so was not on a deficit basis. In other words, the program has not contributed to the huge national debt and budget deficits, and it should not be expected to solve them. As a result of the 1983 Act and subsequent legislation, the operations of the OASDI program are now supposed to be out of the Unified Budget. This would be of considerable value in the direction of making changes in the program for direct reasons, rather than the indirect one of affecting the general budget, except that the budgeteers really do not pay attention to it when referring to the size of the budget deficit or when taking action to reduce it.

### Recommendations of National Commission on Social Security (1979-80)

The National Commission on Social Security made recommendations to improve the operations of the entire Social Security program, including Medicare (see pages 305 and 306 of the final report). In brief, the Social Security Administration would be transformed into an independent agency which would handle both OASDI and Medicare (and also the Supplemental Security Income and Medicaid programs). The newly created Social Security Board would be governed by either

three or five members, who would serve full-time and would be appointed on a bi-partisan basis. The administrative operations would be directed by three career employees -- an executive director and two chief operations officers, who would report to the executive director (with one being responsible for the cash-benefits programs and the other for the health-care programs).

A very good precedent for this proposed organization and constitution of the Social Security Board is the original Social Security Board established by the Social Security Act of 1935. This organization successfully administered the Social Security program for more than a decade until it was merged into the Federal Security Agency (which in turn was merged into the Department of Health, Education, and Welfare, which later became the Department of Health and Human Services -- all such actions being taken supposedly for "administrative simplification").

Another good precedent is the Railroad Retirement Board, which has been successfully operating in this general manner for the last half century. The only difference is that the Members of the Railroad Board are not selected on a bi-partisan basis, but rather the President appoints the Chairman, and then names one member from recommendations made by railroad employers and the remaining member from recommendations made by railroad-employee organizations. This procedure has worked out very satisfactorily over the years.

#### Recommendations of National Commission on Social Security Reform (1981-83)

The National Commission on Social Security Reform was primarily concerned with the immediate financial crisis then confronting the OASDI program. However, it also looked into the long-range financing situation and other matters.

As to the administrative structure of the program, a majority of the National Commission believed that the Social Security Administration should be a separate independent agency, perhaps headed by a bi-partisan board. It also recommended that a feasibility study should be made of this matter. It further stated that it had not had the time to look into the various complex issues involved, such as whether the leadership of such an independent agency should be assigned to a single individual or to a bi-partisan governing board, and whether the Medicare program should be administered by it.

#### Recommendations of Congressional Panel on Social Security Organization (1984)

The report of this panel presented a well thought-out plan to establish the Social Security Administration as an independent agency. In particular, the following recommendations were made:

- (1) There should be a single, high-rank administrator, appointed by the President.
- (2) There should be a Social Security Advisory Board to oversee management and to assess policy issues, which would be appointed on a bi-partisan basis, and would be part-time, with meetings at least bi-monthly.
- (3) The Medicare program should not be handled by the proposed new agency.

#### Recent Congressional Activity

Following the work of the Congressional Panel on Social Security Organization, both houses of Congress have taken action on the establishment of the Social Security Administration as an independent agency, with responsibility for administering the present programs with which it deals (i.e., not Medicare or Medicaid). However, no legislation enacted by both houses has as yet occurred.

In general, the House of Representatives has favored the approach recommended by the National Commission on Social Security -- the leadership to be a bi-partisan board. On the other hand, the Senate has favored the approach recommended by the Congressional Panel on Social Security Organization -- a single administrator, with a bi-partisan Advisory Board; such approach is well exemplified by S. 33, 102rd Congress, introduced by the distinguished Chairman of this Committee and co-sponsored by several other Senators, including the distinguished Ranking Minority Member of this Committee.

#### My Views and Recommendations

For years I have strongly favored the establishment of the Social Security Administration as an independent agency, with some degree of bi-partisanship in its leadership. Certainly, a program of such immense financial size, affecting the economic lives of virtually every person in the country, should not be buried under layers of administration within a cabinet department. Further, for a program which has broad support from both political parties, there should be bi-partisan representation, to some degree, in its leadership.

As to the details of how such an independent agency should be organized, I do not have strong beliefs. The main thing, in my view, is to have independent-agency status, with bi-partisan representation being present. For many years, I favored the "bi-partisan board" model over the "single administrator, with bi-partisan advisory board" model, although I did not think that the former was significantly better than the latter. Perhaps my view was based on my experience with the "bi-partisan board" basis under the original Social Security Board of the 1930s and 1940s and on the recommendations of the National Commission on Social Security (of which I was a member).

In any event, I now favor the other approach -- "single administrator, with bi-partisan advisory board," as exemplified in S. 33. However, I continue to believe that either approach would work out excellently and would be far superior to the present basis. One reason for my change in opinion -- which is not too momentous -- is that I believe that the "single administrator, with bi-partisan advisory board" basis is more likely achievable of enactment, because it is somewhat less of a change from the present basis than is the "bi-partisan board" basis.

I believe that one change in S. 33 would be desirable in order to produce more effective bi-partisan input. S. 33, as amended to make certain technical-drafting changes, provided that the Social Security Advisory Board should meet at least six times each year. I suggest that it should be provided that each of these meetings should have a duration of at least five working days. This would indicate that the Board would have many significant responsibilities to fulfill and that its meetings would not be ceremonial or of a condensed nature, as is the case with many boards of directors of corporations and nonprofit organizations.

Finally, as a former Chief Actuary of the SSA, I was very much interested in Section 702(a) of S.33 (as amended), which establishes this position in the new independent agency. This provision not only prescribes the salary level of the position, but also it specifies the professional independence of the position by stating that the incumbent can be consulted by the Chairmen of the House Ways and Means Committee and the Senate Finance Committee on matters concerning the financial status of the OASDI Trust Funds. Moreover, the committee report on the bill (Report No. 102-304, pages 6-7) amplifies the underlying purpose of this provision, describing how the SSA Office of the Actuary has, in the past, provided the responsible congressional committees informally with the necessary actuarial data and analyses. As the report states, "The purpose of the Committee in legislatively establishing a position of Chief Actuary in the independent agency is to make certain that the important role the Office of the Actuary performs is recognized, and to assure that the office is permitted to function with a high degree of independence and professionalism." Quite naturally, and not surprisingly, I strongly support this position.

## PREPARED STATEMENT OF SENATOR DAVID PRYOR

Mr. Chairman, today you are one of the chief advocates and the chief architects of saving the Social Security system. I salute you for calling this hearing, and for your leadership in advocating an independent Social Security Administration. Your proposal is a concept whose time has come, and I deeply appreciate the opportunity to join with you in this effort.

Mr. Chairman, your eloquent statement gives us the historical perspective as to why we must restore the Social Security Administration to its original position as an independent agency. Until recently, SSA was considered the flagship of all Federal agencies for efficiency and quality of public service. SSA, in my opinion, has lost that reputation for excellence. I believe that we should move very rapidly to reverse this trend. I share your belief that one way to turn this around is to make SSA an independent agency.

For that reason, Mr. Chairman, I would ask that you include me as an original cosponsor of the legislation you plan to introduce shortly to make SSA independent.

The Department of Health and Human Services already faces the monumental task of overseeing Federal health care programs, and has often been criticized for neglecting the needs of the Social Security Administration. This may be more relevant today than ever before. Should Congress enact health care reform, as I hope we will soon, we will be asking HHS to undertake even greater responsibility for our health care system, and implementing the most massive social reform in decades. For that reason, today is an appropriate time to return our attention to giving independent status to SSA.

Consider the size and importance of the mission of SSA. Virtually every family in America is affected. SSA pays benefits to over 40 million beneficiaries and maintains earnings records for 130 million Social Security taxpayers. As an independent agency, SSA would be larger than most Federal departments, with 63,000 employees, a network of 1,300 field offices, and an annual budget of over \$300 billion.

Indeed, SSA alone has more staff than if you *combined* the staffs of the Department of State, the Department of Labor, the Department of Housing and Urban Development, and the Department of Education—as I said, combined *together*. And yet, as of today, this Committee has not received a nominee to be Commissioner of this critical agency. Can you imagine, Mr. Chairman, the uproar we would hear if, today, we still had no Secretary of State, no Secretary of Labor, and no Secretary Education?

When we put this issue in perspective, however, we see that it is a longstanding problem that goes back many years and that has spanned many administrations. I would like to note for the record that since 1977, during five of those years we had acting commissioners and not full-time, full fledged commissioners. Most recently, the slot has gone unfilled since one year ago, when Commissioner Gwen King left in September of 1992.

Mr. Chairman, you are absolutely correct that the Social Security system deserves to be administered by its own agency. As perhaps you know, Mr. Chairman, in previous Congresses I have sponsored similar legislation, and I have joined with you and our former Chairman, Senator Bentsen, in cosponsoring bills on this issue. I look forward to working with you to find the most prudent management of Social Security to benefit the millions of Americans who participate and who will be participating for years to come.

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 PREPARED STATEMENT OF DONNA E. SHALALA

Mr. Chairman and members of the committee: I am honored to be here this morning to share with you our vision for what I believe is the single greatest domestic achievement in the history of our Nation—Social Security. I am not here, Mr. Chairman, to sell you on the critical importance of this program. You, more than anyone, have carried the torch that Frances Perkins lit almost 60 years ago.

Since its inception in 1935 and the payment of its initial benefits in 1940, Social Security has grown to serve over 41 million Americans. Our great program of social insurance has continuously widened its circle of service decade after decade—from its original role to protect workers in industry and commerce when they retired to today when it protects virtually all workers and their families when they retire, become disabled or die.

Frankly, it is inspiring that this centerpiece of the New Deal has fulfilled its noble promise and has been living proof for over half a century that government can work for its people.

Yet as you have so correctly and consistently pointed out, Social Security now faces serious challenges. Strong, committed and competent leadership is required to protect the integrity of the Social Security Trust Funds, to improve the delivery of Social Security Administration services, and thus to restore public confidence in the Social Security system.

I want to personally reaffirm my commitment to use every resource at my disposal to meet these challenges. And with all due respect, Mr. Chairman, I sincerely believe that these urgent challenges can best be achieved by maintaining the Social Security Administration within the Department of Health and Human Services. It is here that Social Security and its beneficiaries are assured the top Cabinet level leadership, attention and support that they need and deserve.

The very importance of Social Security to our society demands that it be addressed by our new Administration at the highest level. Under the leadership of President Clinton, this is an Administration that values what government can and should do for its citizens. We are eager to take on the difficult, but necessary, challenges to make government work better. Solutions will not come easily or quickly. But we are committed to making the tough decisions necessary to restore the public's waning confidence in Social Security and other essential public programs.

Mr. Chairman, under my leadership, I pledge to you that Social Security will always have a prominent voice at the Cabinet table, and will be given the priority and attention it deserves in our policy debates. You are looking at one Cabinet member who is not shy. I will speak—and even argue and pound the table—to promote the health and welfare of the American people, especially our retired and disabled citizens.

Distancing SSA from the Cabinet by establishing it as an independent agency would seriously dilute the attention and support it will receive at the highest level of our government. In an increasingly complex world, I believe we should be gravely concerned about denying Social Security a strong and visible place at the President's table.

Further, Mr. Chairman, I believe that separating SSA from HHS and establishing it as an independent agency would run counter to the public's demand for a leaner, more efficient, and more cost-effective government. At a time of severely limited resources, it would require establishing duplicate payroll, personnel and other support structures now provided under the umbrella of HHS.

Moreover, the complicated process of creating a new agency would be extremely disruptive, and would divert attention from the real challenges we face. It would, I believe, greatly hinder crucial efforts to better coordinate and integrate the many health and human service policies that affect millions of Americans. We must strengthen—not further fragment—the links between Social Security and Medicare, Medicaid, the Administration on Aging, and Aid to Families with Dependent Children. This is particularly important as we are poised to debate how best to reform the basic structure of health care, welfare and the delivery of all government services.

I firmly believe that maintaining SSA within HHS is absolutely essential to our efforts to reform and streamline government services, and make them more efficient, effective and customer-friendly. I've personally reviewed many of SSA's operations and talked candidly with employees there. I recognize the problems and difficulties we face and have already taken many steps to address them. We will pursue these efforts with vigor because I am convinced that if we plant the seeds of success through hard work and dedication to quality service, we will eventually reap the harvest of renewed public confidence.

Mr. Chairman, I very much want to take on these challenges in close partnership with you, for your profound commitment to Social Security and your unique expertise is invaluable. It is because of your foresight and leadership that we are now taking one of the single most important steps to rebuild confidence in Social Security: to provide each American worker with a Personal Earnings and Benefit Estimate Statement, or PEBES.

I am familiar with this type of statement because of my participation in the TIAA-CREF program (Teachers Insurance and Annuity Association-College Retirement Equities Fund) and have found them to be excellent and useful tools. I am committed to ensuring that the Social Security Administration meets—and, if possible, accelerates—the statutory implementation schedule you envisioned for providing PEBES to all workers.

We are also working with SSA to find and implement better methods for providing accurate information about Social Security to every citizen. One such promising technological innovation is an automated question-and-answer video kiosk that can provide a wide range of general information about Social Security earnings and benefits. SSA has developed a pilot kiosk, which could be replicated for use in commu-

nity centers, shopping malls, schools, and other public places. Our objective is to expand the knowledge that today's workers have about Social Security and about their options for financial planning.

Recently, SSA also adopted a customer-oriented strategic plan, which includes key objectives like the issuance of Social Security numbers within 24 hours of application. I am committed to making sure that this strategic plan becomes a living document to guide SSA to excellence. To do this well, I have asked SSA to solicit comments from Congress and the public.

As part of its participation in the National Performance Review, SSA will publish nationally and post in each of its offices performance standards that address courteous customer relations, accurate information about benefits, referral to other programs, and timely response to all inquiries.

The disability area is one area in particular that has been fraught with serious difficulties in the last few years. The most critical workload problem facing the agency is the dramatic increase in disability claims and appeals. At a time of severe personnel constraints, SSA has been seriously stretched in trying to minimize the time required to process both initial disability claims and requests for hearings before Administrative Law Judges.

This Department is wholeheartedly committed to improving the disability claims operation—in fact this is one of our top priorities. As part of our commitment, one of my first tasks was to secure the release of \$100 million in contingency funds to help alleviate the growing disability backlogs. In addition, SSA's disability program was one of the few to receive priority in the President's investment package for fiscal year 1994. We requested an additional \$120 million for the disability area to improve program administration and \$200 million for future years.

In addition, we requested a \$1.1 billion multi-year investment in automation, which will provide SSA with a state-of-the-art computer architecture. It will create a first-time, linked, automated environment for disability services and the Office of Hearings and Appeals. And, it will lay the groundwork for the automation systems to support the growing number of claims we expect as the baby-boomers retire. This will allow us the flexibility to improve the quality of our services and achieve our long range strategic priorities. SSA was one of only a handful of programs to be designated for investments in revitalizing technology.

I also have directed key HHS assistant secretaries to work with SSA on an aggressive disability research program designed to expand our knowledge about unanticipated increases in applications resulting in workload backlogs and trust fund deficits.

Further, in response to concerns raised by members of Congress and the public, both SSA and the HHS Inspector General are conducting fact-finding audits or studies to further our understanding of the changes that have occurred in the SSI childhood disability program.

#### CONCLUSION

Mr. Chairman, we share a common vision: to restore the American people's faith and confidence in the Social Security Administration and its vital programs. I firmly believe it is the strength of our commitment and the vigor of our leadership—not the organizational placement of the agency—that will make that vision a reality.

I am here today to ask the Chairman and Members of the Committee for the chance to prove that we can make our common vision a reality. Let us join in partnership, put our strong team of top-notch people in place, and begin aggressively to meet the challenges we face. I am confident that together, we can assure the current and future workforce of the sacred trust and promise that Franklin Roosevelt established so many years ago.

Thank you.

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#### PREPARED STATEMENT OF ROBERT F. SHREVE

The American Association of Retired Persons (AARP) appreciates the opportunity to present its views on making the Social Security Administration (SSA) an independent agency. AARP has long supported independent agency status because it would improve public confidence in Social Security by ensuring that it is administered in a stable and professional manner. AARP commends Senator Moynihan's ongoing leadership in this area of vital concern to citizens of all ages.

The Social Security Administration (SSA), one of the largest and most widely known federal agencies, provides benefits for almost 42 million beneficiaries and maintains wage records for 133 million workers. It issues new and replacement So-



cial Security cards, processes millions of claims, and responds to countless information requests. It has 1300 local offices nationwide.

SSA's workload will continue to increase as the population ages and the work force expands. To accommodate this growing workload and improve the quality of service to beneficiaries, SSA must function in a stable environment that is conducive to long-range planning. Also, it should be run by competent, professional management and adequately staffed by knowledgeable people.

#### A. HISTORY

When Social Security was enacted in 1935, an independent Social Security Board was established to administer the program. The board operated as a free-standing agency with jurisdiction over both social insurance and means-tested programs. In 1939, this board was placed under the newly established Federal Security Agency. In 1946, the board was abolished and replaced by a single administrator.

When the Department of Health, Education and Welfare (HEW) replaced the Federal Security Agency in 1953, the Social Security Administration was grouped together with an array of welfare, rehabilitation, drug, education and health services programs in the new department. In 1977, the Medicare and Medicaid programs were removed from SSA's jurisdiction. In 1980, the Department of Education was established, and HEW became the Department of Health and Human Services (HHS).

Placing Social Security into a larger federal agency may have made sense in the past when the program was smaller. Today, SSA is the ninth largest agency within the federal government and is the largest component of HHS. It accounts for almost 60 percent of HHS' staff and over 60 percent of HHS' budget. SSA is the largest federal agency without independent status. (Only the Veterans' Administration is bigger and it has been elevated to cabinet status.)

Calls for making SSA independent surfaced in the early 1970's when Social Security became part of the federal budget and its budget became subject to manipulation in order to achieve non-Social Security goals. Interest intensified in the early 1980's when hundreds of thousands of disabled beneficiaries were summarily removed from the rolls. Because Social Security staff was cut by over 20 percent from 1985 through 1990, many people pressed harder for an independent SSA that could better resist policies implemented in response to a non-Social Security agenda.

#### B. THE NEED FOR STABLE AND INDEPENDENT LEADERSHIP

The need for strong, stable, and independent leadership at SSA has been one of the most powerful arguments for creating an independent agency. Throughout most of its history, the agency prided itself in providing quality service to the public in a cost effective manner. For nearly ten years, the agency's administrative performance has declined because of frequent turnover in agency personnel and administrative reorganizations that have displaced personnel at all levels and disrupted program administration functions.

SSA endured unprecedented turnover in its top leadership during the late 1970's and for most of the 1980's. Between 1978 and 1983, there were three Commissioners of Social Security, each serving two years or less, followed by several acting commissioners. In this period of rapid turnover, SSA was headed by ten different people; in contrast to only eight commissioners in the preceding 25 or so years. Today, SSA has been without a permanent commissioner for almost a year—a situation which has hurt the agency's ability to solve its current service delivery problems.

The short tenure of SSA commissioners in the late 1970's and the 1980's contributed to SSA's inability to establish clear management priorities or develop a consistent direction.

The General Accounting Office (GAO) has consistently criticized SSA's inability to correct significant, long-standing problems in management and service delivery, to provide a clear and consistent sense of direction to its components, to adequately control its systems modernization efforts, and to focus on personnel management.

The changing faces in the commissioner's office produced the numerous reorganizations that accompany a change in leadership. Between 1975 and 1983 four major internal reorganizations took place. These reorganizations not only consume precious time that otherwise could have been used to implement existing plans, but they inhibit the growth of a stable cadre of professional managers.

The institutional relationship between the Social Security commissioner and the Secretary of Health and Human Services (HHS) also contributes to the perception that Social Security's concerns may not be dealt with in a timely and effective manner. Social Security is but one part, albeit a very significant one, of the HHS umbrella. The secretary, of necessity, must divide his or her time among the various

HHS components. Moreover, the Secretary acts as an intermediary between the commissioner and the president. At times this can be beneficial, but at others it can be detrimental, especially when the HHS Secretary is not familiar with the Social Security program or is understandably preoccupied with other departmental business. Inevitably, the budget needs of SSA are traded off with those of other HHS components and can suffer during the budgetary appeal cycle.

#### C. THE NEED FOR IMPROVED OPERATIONAL EFFICIENCY AND EFFECTIVENESS

SSA is responsible for large-scale activities of crucial importance to millions of Americans and it ought to have a greater say over its own resources and policy. Yet, as the GAO reports, the agency's operations have been marked by confusion and the absence of a sense of direction.

SSA's efforts to modernize its automated data processing (ADP) system exemplify these problems. It takes years to plan, design, and build a comprehensive computer system of the magnitude needed by SSA. However, the size and complexity of the ADP problem is hard for new management to grasp. Thus, some of the shorter-term commissioners, perhaps recognizing the tenuousness of their position, focused only on one or two aspects of the problem. As a result, SSA's software and hardware are inadequate to meet its needs.

The current status of SSA makes it more vulnerable to the imposition of policies and practices of other federal agencies. The most conspicuous example of such policy making is the Office of Management and Budget (OMB)-ordered five year, 17,000 person staff reduction implemented in 1985-1990. The OMB proposal largely resulted from a desire for short-term budget savings, not from considerations of what is best for the overall management of the agency and the public it serves.

Reducing the number of staff in local SSA offices has diminished the quality of service to Social Security beneficiaries and applicants. OMB's action was unwarranted since the program's administrative costs, financed out of the trust funds, already are extremely low. Moreover, such staff reductions do nothing to address the root causes of the federal deficit.

The legacy of these OMB-ordered staff reductions is a mounting disability application backlog. Chronic SSA understaffing, coupled with insufficient resources, have doomed disability applicants to a six or seven month wait for an initial determination. Hearings and appeals can extend the timetable to eighteen months or longer. This situation is unconscionable and it imposes enormous hardships on disability applicants.

#### D. DEVELOPING PUBLIC CONFIDENCE

During the late 1970's and early 1980's, public confidence in Social Security waned noticeably due to the program's financial difficulties and the use of Social Security as a "political football" during the annual budget debate. AARP believes an independent SSA would represent an important step toward further rebuilding public confidence in the program. In view of continuing public skepticism about the long-term prospects for the program, this is perhaps the most important task facing the agency.

Making SSA independent is important because current and future beneficiaries need to know they can count on a Social Security system that provides adequate financial benefits and a competent, effective and humane means of delivering the services associated with these benefits. An independent agency, we believe, would strengthen SSA's long-term commitments and protect it from unwarranted upheavals in senior level management.

An independent agency might be less affected by political factors that produce sudden shifts in direction. It would be well positioned to make a strong statement to the American people that Social Security is self-financed and that policy and budget decisions affecting the program ought to be reached independently of other federal government short-term decisions. Finally, a free-standing Social Security agency reaffirms the stability of the social contract between the American people and their government which has lasted almost 60 years and that will endure for a long time to come.

#### E. CONCLUSION

Making SSA an independent agency would be a clear signal to the American people that Congress is committed to protecting the Social Security program for the long-term and ensuring that the daily functioning of the Social Security program would be stabilized and somewhat depoliticized. The confidence of the American people can only be maintained if they are assured that the program is being administered in a fair, efficient and professional manner. We urge Congress to consider

moving expeditiously on this legislation so SSA can actively begin the work of rebuilding public confidence in its long-term stability and commitment to service.

#### PREPARED STATEMENT OF ELMER B. STAATS

As you know, I served as Chairman of a three-member Commission established by Congress in Public Law 98-21, the Social Security Amendments of 1983. The Commission was directed to undertake a thorough study with respect to how best to implement a decision by Congress to remove the Social Security Administration from the Department of Health and Human Services and establish it as an independent agency. The Commission conducted an extensive study, including detailed hearings and presented its report to the Senate Finance Committee and the House Committee on Ways and Means in June 1984.

At the outset, I would like to emphasize that the Commission was not requested to address the question of the desirability of removing the Social Security program from the Department of Health and Human Services but rather to examine the desirability of establishing the program under the administration of a single administrator or a bipartisan board.

The proposal for a separate agency has been based on several grounds. One is the need to provide a stronger management leadership for what is, arguably, one of the largest and most complex operating programs in the Federal Government. Another is that the program affects so many people, for the most part low-income and older people, that we should build in whatever safeguards are necessary to assure that the program is carried out in a nonpartisan professional manner, and with reasonable continuity of top management.

From our report, you will note that we believe that steps can be taken to help accomplish the objective whether the SSA is created as a separate agency or left in HHS. We have included in chapter 5 actions which could be taken, if the SSA is left in HHS.

A few witnesses argued for a separate agency headed by a bipartisan board or a commission of three or five members with the chairman designated by the President. This board would then appoint an executive director, who would be responsible for day-to-day operations.

Most of our witnesses, however, argued that a program of this size and complexity should be headed by a single administrator. The panel concluded in favor of a single administrator, which when coupled with the advisory board of the type and with the charter which we recommended, would provide, in our opinion, a good balance between the need for a strong administrator responsible to the President, but with a board which would provide advice, assistance, and protection for the integrity of the Social Security Program.

Multiheaded agencies function best in a regulatory or adjudicatory capacity. They are notoriously poor in managing large, complex programs. We found no good model in the Federal Government to support the argument for a multiheaded Social Security Program. In fact, the history of the Social Security Board in the 1930's reflects confusion in the roles of the board and the executive director, which in our opinion would be most likely to be repeated if a new full-time board or commission were to be established.

The program is far more complex than it was in the 1930's when the Social Security Board was established.

We feel equally strongly that a bipartisan advisory board, along the lines proposed, is essential. It would be made up of nine members, no more than five of whom could be of the same political party. The President would name five members and the Congress would designate four members, two by the President of the Senate, two by the Speaker of the House. These members would serve 6-year staggered terms.

Importantly, we emphasize the need for having a permanent advisory board in lieu of the ad hoc advisory councils and commissions which have been established in the past.

This board would make an independent assessment of the annual reports of the Board of Trustees. It would undertake studies on its own initiative. It would be available for testimony before Congressional committees. It would have an opportunity to meet with and hear the views of affected groups throughout the country, and perhaps most important of all—and I underscore this—it would suggest names to the President for his consideration of nominees for the position of Social Security Administrator.

We believe the recommendation is particularly important because it would go a long way toward assuring that a professional administrator is appointed to the posi-

tion, and the appointment of an individual who would be acceptable to both political parties.

In order to assure continuation of Presidential responsibility and accountability, we believe that the administrator should be appointed by the President for a 4-year term coterminous with that of the President. He would be eligible for reappointment.

We were greatly impressed by testimony received from a large number of witnesses, both inside and outside the Government, that the SSA has not had the management flexibility required to carry out its responsibilities in an efficient manner. We were reinforced in this view by a report prepared by the National Academy of Public Administration entitled "Revitalizing Federal Management," which urged that steps be taken to provide greater management flexibility throughout the Federal Government, with less micromanagement on the part of the central control agencies. We therefore recommended that the Congress direct the permissible delegations now available to these agencies to be granted to the administrator.

Finally, we concluded that the new agency should be responsible for the administration of the Supplemental Security Income Program, but that other programs now administered by the SSA should be retained within HHS.

We came to this conclusion in part because, first, the SSI and SSA programs are so closely related that it would not make good sense to separate them, but also we felt that other programs were not so closely related that they could not be better left in HHS.

There are some who would like to see the local SSA offices be in a position to provide beneficiary service for medicare and medicaid as well as Social Security and SSI. Medicare applications are currently taken in SSA's field offices, and SSA provides beneficiary information and data to SSA from its computer system.

Our conclusion was that a separate agency need not impair this arrangement, only that a workable agreement be developed between HHS and the new Social Security Administrator in much the same way as it is working today.

As an attachment, I have set forth in more detail the specific functions which we recommend be carried out by the proposed advisory board. In our opinion, such a Board, if constituted as proposed, would greatly add to public confidence in the administration of the program and would provide both the executive branch and the Congress with information not now systematically provided. This Board is an important part of our recommendations. Should legislation be enacted to establish an independent agency I strongly urge that an advisory board along the lines proposed be an integral part of the action.

In concluding this statement, I would like to quote from our report with respect to the general philosophy which we attempted to follow with respect to the adoption of a single administrator versus a multi-headed board.

"Strong management of very large and complex organizations requires the concentration of responsibility and authority in a chief executive—a single official capable of providing energetic and decisive leadership.

"While few would dissent from this principle of administrative organization, differences of opinion do arise over how best to organize executive policy formation, which in our Government includes both the preparation of proposals for congressional action and the exercise of executive discretion in interpreting legislative intent.

"Whereas good administration in the Panel's judgment requires considerable autonomy—that is, the concentration of power in a responsible official—good policymaking requires the blending of competing views and the balancing of different perspectives on policy questions. Only to a limited extent can this balancing and blending take place within a single executive agency—the social security agency in this case. It is necessarily a far more inclusive process, engaging the President and Congress, who, by reason of having won elections, are responsible for making the most important decisions about public policy.

"It should be a responsibility of the agency head to develop and preserve the capacity of the social security agency to contribute to policymaking with advice, information, expert analysis, and the kind of judgment that is informed by the experience of program operations. Along with the ability to recall experience—what is often called institutional memory—and a greater capacity to look beyond the immediate future than that possessed by elected officials, who must be mindful of upcoming elections.

"These are the distinctive contributions that administrative agencies make to policy. The organization and leadership of the social security agency should, in the Panel's judgment, be designed to make these contributions to the President and Congress as promptly and vigorously as possible. The

Panel believes that an organization headed by a single executive would fix responsibility for policy advice. It would provide expert information, practical judgments, and a long-range view on policy questions more expeditiously and clearly than would a multimember deliberative body, which would be vulnerable to indecision, dissension, and diffusion of responsibility.

"A form of organization designed for deliberation, representation, and adjustment of different viewpoints, as a multimember board would be, is appropriate to head an agency which has received an extraordinary delegation of broad adjudicatory and rulemaking power. The leading examples are the Tennessee Valley Authority, a public corporation created in 1933 to develop the energy and other resources of the Tennessee Valley and the various independent regulatory commissions, which have broad powers to make and interpret rules—in effect, to act on behalf of the legislature and the executive—in their respective areas of jurisdiction."

\* \* \* \* \*

"As a form for administration, the Panel believes that a multimember board has serious disadvantages in that authority is diffused, and policy and administrative roles can be confused. The assumption that the board would confine itself to policymaking and leave administration to a chief executive officer assumes incorrectly that the two spheres of activity can be clearly differentiated in practice, and it overlooks or unwisely discounts the danger that the chairman of the board and possibly other board members would involve themselves in administrative matters properly the responsibility of the chief executive officer."

"The social security program, urgently in need of strong direction, should not today be exposed to the risks of this kind of contention between board members and the executive over who will be in charge. Such contention could exacerbate and prolong precisely those administrative problems that a reorganization should be designed to prevent.

"Finally, the preeminent position of the chairman of a board would tend to diminish by comparison the stature of the chief executive and make it more difficult to attract the type of strong and capable administrator necessary to resolve the agency's serious management problems."

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## ATTACHMENT—SPECIFIC RESPONSIBILITIES OF THE PROPOSED ADVISORY BOARD FOR SOCIAL SECURITY

[Report of the Panel on Social Security Organization, pages 26–29]

### IV. ADVISORY BOARD FOR SOCIAL SECURITY

To promote independent review and encourage broadly based policy analysis, a permanent Social Security Advisory Board should be established within the new agency. Its functions would be to oversee management and assess policy issues in social security and to advise the Social Security Administrator, the President, and the Congress on important developments. Some of the more important functions of the Board would be: (1) To make independent assessments of the annual reports of the Board of Trustees, major studies on social security, and proposed legislation; (2) to engage in public dialogue and education about social security; and (3) to suggest to the President names to consider in selecting his nominee for the position of Social Security Administrator. The Board would consist of nine members, no more than five of whom may be of the same political party. Five of the members would be appointed by the President (no more than three from the same political party), and, to reinforce bipartisanship and congressional participation, two of the board members (one from each political party) would be appointed by the Speaker of the House, and two other members (one from each party) would be appointed by the President pro tempore of the Senate. All Board members would be subject to Senate confirmation. They would be appointed for 6-year terms, with staggered terms for the initial Board members, and would be eligible for reappointment. The Board Chairman would be designated by the President. This Board would be part time, with regular meetings held at least bi-monthly.

Social security policy making in recent years has taken place in an atmosphere of crisis and improvisation. Deficits have been remedied only when insolvency was impending. Institutional approaches—the National Commission on Social Security Reform most notably—had to be created ad hoc to resolve difficult issues. Policy-

making has taken place, too, in a context of severe fiscal constraint, which since the mid-1970s has exposed the social security programs to presidentially sponsored proposals for benefit reductions, some of them hastily prepared under the pressure of the annual budget cycle.

It is largely in response to this situation that proposals have developed to place the social security agency under direction of a multi-member governing board. Proponents believe that a bipartisan board would have a stabilizing influence, improve deliberation, and deter actions designed to meet the budgetary goals of any particular administration.

For reasons already given, the Panel prefers that the independent agency be headed by a single Administrator, but it nonetheless favors creation of a permanent bipartisan board, with relatively long, overlapping terms, to participate in policy-making as an adviser to the Administrator, President, and Congress. Such a Board would constitute an institutional means for weighing major issues of social security policy in a stable, orderly fashion, calling attention to developing problems before they become acute and providing advice in response to whatever proposals for action the ordinary processes of politics and policy planning may produce. It would assist in sustaining institutional memory, bringing a long-term perspective to bear on policy questions and assuring open consideration of significant policy changes.

The Panel believes the Advisory Board could accomplish many of the objectives related to policymaking that are sought by supporters of a full-time board. In particular the Social Security Advisory Board would:

- embody the bipartisanship that was conspicuously successful in the work of the National Commission on Social Security Reform,
- help to produce a more deliberative decisionmaking process with respect to significant policy issues,
- institutionalize the quadrennial Advisory Councils and minimize the need for ad hoc commissions, and
- become an important repository of institutional memory since it would be constituted of board members with overlapping 6-year terms.

Board members should be persons who by their experience, expertise, and accomplishments in public or private capacities have demonstrated a commitment to the public interest, concern for the quality of public administration, and a broad knowledge of social security and other social programs. The Chairman should be designated by the President, so that an incoming President could appoint the Chairman, either from among those already on the Board or from outside. Although the Board would be part time, its members would have substantial, time-consuming responsibilities. Therefore, they should be paid an annual retainer of \$15,000 and, for days when the Board or an authorized subcommittee meets, should receive per diem plus expenses. The Administrator would provide the Board with full administrative and analytical staff support, including the procurement, at the Board's request, of consultation or analyses from independent sources if necessary.

The Board's charter would assign it responsibility for giving advice on social security policies and operational issues. While meeting, it would consider a specific agenda of issues formed after consultation between the Chairman of the Board and the Social Security Administrator. In addition, the Board could establish subcommittees with specific responsibilities to meet in conjunction with the regular Board meetings, or separately. Specific functions of the Board would be to:

- Make recommendations from time to time as to the most effective methods of providing economic security through social insurance;
- Make an independent assessment of the annual report of the Board of Trustees of the social security system and advise the President and the Congress on the implications of the assessment;
- Engage in public dialogue and education about social security;
- Suggest to the President names to consider in selecting his nominee for the position of Social Security Administrator;
- On its own initiative, or as requested by the President or congressional committees having legislative jurisdiction over social security, review and assess major legislative proposals regarding OASDI and SSI, including their administrative feasibility and probable operational consequences;
- Review and assess the quality of service that the agency provides to the public;
- Make an annual assessment of the progress in upgrading the agency's computer-based technology for support of program operations;
- Review and make an assessment of the social security agency's progress in developing needed management improvements;

- In consultation with the Administrator, review the development and implementation of a long-range research and program evaluation plan for the agency;
- Review and assess any major studies of social security as may come to the Board's attention.

The Panel emphasizes that this Board would not be in the executive branch chain of command, but would be advisory in nature. The Administrator would have the responsibility for the operations and overall management of the agency's programs and would represent the administration before Congress on social security issues.

In summary, assuming that an independent agency is to be created, the Panel believes that a single Administrator advised by a bipartisan Board constitutes the organizational framework best suited to develop management capability, correct current operational problems, and meet the long-run management challenges facing the agency. At the same time, the Panel believes that this structure would bring to bear on policy questions the consultative expertise and long-run point of view essential to the social security programs.

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#### PREPARED STATEMENT OF DON I. WORTMAN

Mr. Chairman and Members of the Committee: My name is Don Wortman and I am a Fellow of the National Academy of Public Administration. The Academy is a private, non-profit and non-partisan organization chartered by Congress to improve the effectiveness of government at all levels—federal, state and local.

I spent five years of my federal career in the Department of Health, Education and Welfare, now known as the Department of Health and Human Services. I served in various staff and line executive positions under three secretaries—Weinberger, Mathews and Califano. For 18 months I was Deputy Commissioner and then Acting Commissioner of the Social Security Administration. I suspect I am one of the eleven Commissioners SSA has had since 1972 that you refer to in your June 26, 1992 report.

I am pleased to respond to your invitation to summarize the findings of relevant studies by Academy Fellows on governance options for an independent SSA as well as to provide my personal views on the merits of establishing SSA as an independent agency.

In May 1984, the Academy submitted a report entitled *Management Reforms As A Part of Organizational Independence* to the Congressional Panel on Social Security Organization which was chaired by Elmer Staats. In addition to myself, Academy Fellows Charles Bingman and Jack Young worked on that report. We also consulted with a number of other knowledgeable people. The report addressed changes in management authorities and capabilities SSA would need to improve its capacity to manage effectively. After making a series of recommendations regarding management systems, this report states:

However, the fundamental decision is whether SSA needs to be a part of HHS, and that decision should not be made on managerial considerations. SSA should remain in HHS if there are compelling policy reasons for keeping it there, . . .

We go on to say in a concluding paragraph:

Making SSA an independent agency reporting to the President creates substantial managerial advantages: it removes it from the administrative overburden which departmental oversight inevitably entails. It essentially requires the legislative authorization of a full and complete set of management authorities to the commissioner, and it makes the commissioner more fully and completely accountable for the performance of the agency.

On September 13, 1989, the Academy submitted a paper to Senator David Pryor as Chair of the Special Committee on Aging which analyzed S. 216, a bill which would have established SSA as an independent agency headed by a three-member Social Security Board. That paper was prepared by Harold Seidman and Ronald C. Moe, Fellows of the Academy, and it was reviewed by a panel consisting of Robert Ball, Alan Dean, Arthur Flemming, Dwight Ink, Elmer Staats and myself. As part of this process, Robert Ball and Arthur Flemming submitted separate views which were supportive of S. 216.

In both studies, the one in 1984, then again in the Seidman/Moe paper, Academy Fellows argued strongly for a single administrator and against any form of a governing board for SSA. I would recommend this paper to anyone in the Congress who

believes boards can function as administrators. After listing a sequence of major governmental studies beginning with the Brownlow Committee in 1937, this paper states: "Each group came to the same conclusion as the Brownlow Committee: for purposes of management, boards and commissions have turned out to be failures."

S. 33 has dealt with this issue. It creates a strong commissioner who is served by a seven-member advisory board. Your 1992 committee report on S. 33 states that the board, "would be responsible for giving advice to the Commissioner of Social Security on policies related to the OASDI and SSI programs." Thus it would not be in a position to interfere in the operations of the agency.

As a career executive who alternated for 5 years between top staff positions serving three different secretaries and being the acting head of the Social and Rehabilitation Service, the Health Care Financing Agency and the Social Security Administration at different times while the White House was sorting out nominees for these positions, I came away strongly critical of departmental oversight, I would say interference, in agency management matters. From that standpoint, I personally advocated before Elmer Staats' committee in 1984 that SSA be established as an independent agency. By the same token, I acknowledge and respect the role of a Cabinet secretary in policy coordination and direction. Without that role, even more key policy matters move up to the Executive Office of the President, and I am not sure that is a good idea. Maybe we should all be working on a set of management principles that give considerable autonomy to operating bureaus of departments but still leave them subject to policy coordination and direction of a secretary.

NATIONAL ACADEMY OF PUBLIC ADMINISTRATION, CHARTERED BY CONGRESS,  
Washington, DC, September 13, 1989.

Hon. DAVID PRYOR, *Chairman,*  
*Senate Special Committee on Aging,*  
*Dirksen Senate Office Building,*  
*Washington, DC.*

Dear Chairman Pryor: Enclosed is a paper which discusses S. 216, the proposal to remove the Social Security Administration from the Department of Health and Human Services and make it an independent agency, with a three-member Board of Directors. The paper was prepared by Academy Fellows Harold Seidman and Ronald C. Moe and reviewed by an advisory panel consisting of Robert Ball, Alan Dean, Arthur Flemming, Dwight Ink, Elmer Staats and Don Wortman. Two advisory panel members, Robert Ball and Arthur Flemming, chose to submit a separate statement, and it is also enclosed.

The National Academy of Public Administration is pleased to have been able to provide the expertise of its members as you consider this important issue.

Sincerely,

RAY KLINE, *President.*

#### SOCIAL SECURITY ADMINISTRATOR BOARD VS. SINGLE ADMINISTRATOR

[By Harold Seidman and Ronald C. Moe, with a separate statement by Robert M. Ball and Arthur S. Flemming, submitted to the Senate Special Committee on Aging; advisory panel: Robert M. Ball, Alan Dean, Arthur S. Flemming, Dwight Ink, Elmer B. Staats, and Don I. Wortman, September 1989]

#### INTRODUCTION

The Congress is currently considering a bill which would remove the Social Security Administration (SSA) from the Department of Health and Human Services (HHS) and establish it as an independent agency within the executive branch headed by a full-time, three member Social Security Board. Establishing a Board would mark a return to the form of organization which existed until the Board was abolished by Reorganization Plan No. 2 of 1946 and replaced by a single administrator.

The Chairman of the United States Senate Special Committee on Aging has requested that the National Academy of Public Administration review the historical and organizational considerations regarding a board form of executive governance. He asked that the Academy provide a comprehensive discussion of the organizational theory and experience relevant to an evaluation of the strengths and weaknesses of plural executives.

This report has been prepared by Harold Seidman and Ronald C. Moe, Fellows of the National Academy of Public Administration, and reviewed by a panel consisting of Robert Ball, Alan Dean, Arthur Flemming, Dwight Ink, Elmer Staats, and Don Wortman. The report represents the views of the authors and does not imply



endorsement by the National Academy of Public Administration. The separate views of Robert Ball and Arthur Flemming are attached.

The debate over when and under what circumstances plural executives are preferable to single administrators has been going on since the founding of the Republic. This report identifies the theoretical issues and highlights the lessons that may be learned from the successes or failures of programs managed by full-time boards.

In 1984, an Academy panel prepared, for the Congressional Panel on Social Security Organization, a report on organization and management of the SSA. The Academy panel concluded that, "To the extent that management needs dictate the form of leadership, it is strongly advocated that a single commissioner be appointed and that use of a board be avoided as neither necessary nor desirable."<sup>1</sup> The Congressional Panel concurred in this conclusion and recommended a single administrator and an advisory board "to promote independent review and encourage broadly based policy analysis."<sup>2</sup>

#### THE ADMINISTRATIVE THEORY OF THE NATION'S FOUNDERS

The Constitution has little to say about the organization of the executive branch. Indeed, there are only two indirect references to the question of administrative organization; namely, that the President ". . . may require the Opinion, in writing, of the principal Officer of each of the executive Departments, upon any subject relating to the Duties of their respective Offices," and that "the Congress may by Law vest the Appointment of such inferior Offices, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments."<sup>3</sup> The wording of these provisions indicates that the Constitution's Framers expected that the departments would be headed by a single executive. Secondly, these provisions appear to assume that all, or virtually all, of the executive functions would reside in departments, not other bodies.

While the classic works on political theory and government were useful to the Founders in developing a coherent philosophy upon which to construct a constitutional polity, their reading of Montesquieu, Locke, and Blackstone was of little assistance or guidance to them in the weighty matters of administration. The Founders turned away from these books for guidance in organizational matters and reflected instead upon their own experiences in trying to wage the Revolutionary War against a global power and in attempting to administer the national Confederation of States after the close of hostilities.

George Washington, by experience, was ill-disposed toward dispersing responsibilities for performing administrative responsibilities. In a 1792 letter to his Secretary of War, Washington opined: "My observation on every employment in life is, that wherever and whenever one person is found adequate to the discharge of a duty by close application thereto it is worse executed by two persons, and scarcely done at all if three or more are employed therein . . ."<sup>4</sup>

Alexander Hamilton expressed a similar preference for single administrators:

A single man, in each department of the administration would be greatly preferable. It would give us a chance of more knowledge, more activity, more responsibility, and, of course, more zeal and attention. Boards partake of a part of the inconveniences of larger assemblies. Their decisions are slower, their energy less, their responsibility more diffused. They will not have the same abilities and knowledge as an administration by a single man.<sup>5</sup>

The arguments the emergent Federalists put forth favoring the single rather than the plural executive, coupled with the notion of a few comprehensive departments, carried the day. As noted by Lloyd M. Short, then Director of the Public Administration Center at the University of Minnesota:

Following the formation of the Union, Congress, after considerable debate, in which the ideas of the framers of the Constitution with respect to administrative organization and the experiences of the Confederation exercised an important influence, adopted the system of single-headed executive or administrative departments. The principle of single-headed control was followed, with but few exceptions, even in the various subdivisions of the departments, until the latter part of the nineteenth century. . . .<sup>6</sup>

In the first session of Congress, organic statutes were passed creating three great departments: Treasury, State, and War.<sup>7</sup> All the particular functions of the federal government, save that of prosecuting the law and delivering the mails, were entrusted to these departments. President George Washington insisted that single officials bear the responsibility for administration rather than boards.<sup>8</sup>

## SINGLE VERSUS PLURAL EXECUTIVE

For nearly a century, as the government assumed additional functions, they were usually assigned to the existing departments, or to new departments created for that purpose. The concept of administration by departments was generally accepted. Only a few "detached agencies" were established.<sup>9</sup> With the creation of the Civil Service Commission in 1883 and the Interstate Commerce Commission in 1887, however, the erosion of departmentalism began. These two agencies also signaled the emergence of the plural executive concept as a challenge to the single executive concept. Lloyd M. Short concluded:

The creation of these two independent commissions marks a two-fold departure from the established system of national administrative organization, namely, board control in place of single-headed control, and independence from the general supervision of a Cabinet officer. The debates on these two acts indicate that the character of the power intrusted to them, which was quasi-judicial and quasi-legislative as well as administrative, was a deciding factor as to their form of organization.<sup>10</sup>

The early years of the Interstate Commerce Commission (ICC) were generally viewed as successful and encouraged many political reformers to promote additional boards. For some, boards were considered to be instruments better able to resist "partisan politics," more likely to bring expertise to a problem and less likely to be arbitrary in decision making. The emphasis was to be on deliberateness and observance of legal processes.

Beginning with the administration of Woodrow Wilson in 1913, there was a definite movement toward the creation of administrative agencies with plural executives located outside the executive departments. Among the major units of this type were the Federal Reserve Board, Federal Trade Commission, and the U.S. Shipping Board. Wilson's penchant for boards to manage the war effort ran into opposition when he tried to induce Herbert Hoover to manage the national food production program.

Wilson pleaded with Hoover to chair a board to run the food production program. Hoover steadfastly refused, arguing that only a single executive could be expected to make the decisions in a rapid, coherent manner. Wilson feared one person would be labeled a "czar" by the press and would be portrayed as arbitrary. Hoover gives himself credit for suggesting the term "administrator," a term of neutral connotations, to the president who accepted the suggestion and appointed Hoover as the first administrator.<sup>11</sup>

In the 1920s, several additional boards were created but it was with the advent of the early New Deal a decade later that the plural executive was utilized more fully although not without controversy. For the most part, the board concept was employed for what are generally defined as "independent regulatory commissions" performing quasi-judicial and quasi-legislative functions. It is not our concern here, however, to discuss the relative merits of independent regulatory commissions versus single administrator regulatory agencies. The issue relating to SSA is more narrow, namely the use of full-time boards for managing traditional administrative agencies and performing complex managerial functions.

Reestablishing a Social Security Board, as S. 216 proposes, would be counter to the findings and recommendations of diverse and impartial organizations such as the President's Committee on Administrative Management (Brownlow Committee, 1937), the first and second Commissions on Organization of the Executive Branch of the Government (Hoover Commissions 1949 and 1955), President's Advisory Council on Executive Organization (Ash Council, 1971), Congressional Panel on Social Security Organization (1984), National Academy of Public Administration (1984 panel report) and testimony on bills to replace boards of the Consumer Product Safety Commission and Nuclear Regulatory Commission with single administrators (1987)) and a General Accounting Office report on the Consumer Product Safety Commission (1987) and testimony on S. 216 (1989). Each group came to the same conclusion as the Brownlow Committee: "For purposes of management, boards and commissions have turned out to be failures. Their mechanism is inevitably slow, cumbersome, wasteful and ineffective, and does not lend itself readily to cooperation with other agencies. Even strong men on boards find their individual opinions are watered down in reaching board decisions."<sup>12</sup>

Among the deficiencies of plural executives identified by these expert observers are:

—Authority is dispersed, with impaired accountability to the president and Congress.

- Buck passing among members is common, particularly for controversial decisions.
- Inability to act promptly and decisively.
- Susceptibility to competition and disagreement among board members, which may result in least common denominator decisions or stalemate, or decisions which are unclear, sending mixed signals to their clients.
- Inability or unwillingness to delegate administration to a chief executive officer, or to a chairperson. Given the difficulty of maintaining a clear dividing line between policy and administration, there is a tendency for boards to control personnel decisions and "micromanage" day-to-day operations, to the detriment of policy and administration.
- Divided leadership and inability to obtain prompt decisions may demoralize those responsible for program execution and handicap their ability to meet the complex managerial challenges posed by programs such as social security.

It may be noted that no major United States corporation is managed by a full-time board of directors.

Perhaps the best informed critics of board structure are board members themselves. Many are completely frustrated by the hours that must be devoted to debate and negotiation with their colleagues and the difficulty of obtaining timely action when such action is necessary. In a May 1962 letter to Budget Director David E. Bell, the five members of the Atomic Energy Commission unanimously recommended that "the present five-man Commission be replaced by a single Administrator." The recommendation had the endorsement of all living former commissioners and general managers. The commissioners cited the necessity to involve themselves in the minutiae of day-to-day operations and the endless round of clearances, concurrences and compromise decisions. General managers felt constrained to obtain a consensus of five commissioners before taking significant actions, even when they had specific delegations of authority. For much the same reasons all members of the Nuclear Regulatory Commission<sup>13</sup> and all confirmed chairpersons and former executive directors of the Consumer Products Safety Commission have recommended that the commissions be replaced by single administrators.<sup>14</sup>

The Tennessee Valley Authority (TVA) and the Social Security Board, prior to its abolition in 1946, are most often cited as examples of agencies successfully managed by full-time boards. Examination of the record would indicate that the board structure at times created serious problems and was not a positive factor in the success achieved by either of the two agencies. Indeed, it could be said that the TVA succeeded in spite of being managed by a three-member board.

#### TENNESSEE VALLEY AUTHORITY

The TVA came close to being destroyed during its formative years by open and acrimonious disagreement between the board chairman and his colleagues. The disputes, charges and countercharges reached the point where they could be resolved only by President Franklin D. Roosevelt's personal intervention. Chairman Arthur E. Morgan was removed by the President for "contumacy."<sup>15</sup>

The TVA had divided up authority among the board members, each assuming responsibility for administration of a particular program such as power production, navigation and flood control, and agricultural development. The TVA functioned as three essentially independent agencies. Attempts of the chairman to act as a general—manager were resisted by the other board members.

After the chairman's removal, the board established, in June 1937, the position of general manager to be responsible for day-to-day management while the board concentrated on policymaking, oversight and control. This division of responsibilities has proved to be unrealistic and the board has increasingly involved itself in decisions and actions which would appear to be under the general manager's jurisdiction.

David Lillienthal began to entertain serious reservations about the TVA board's usefulness when he served as its chairman. He wrote in his diary that the board worked only because "the Board has come to mean me."<sup>16</sup> In this period TVA was effective because board members were willing to accept subordinate roles and allow the chairman to function as a single administrator. When Lillienthal was appointed chairman of the Atomic Energy Commission in 1949, he recommended strongly to President Truman that the commission be replaced by a single administrator.<sup>17</sup>

#### SOCIAL SECURITY BOARD

The Social Security Board worked reasonably well until it was abolished in 1946. Its tasks were mainly confined to building the groundwork and organizing the social security system. It was not engaged in complex operations comparable to those of

the SSA today with outlays of \$250 billion and one out of every six Americans receiving benefits. By 1946, the Board was beginning to encounter some of the problems commonly associated with board management.

Arthur J. Altmeyer, an original board member and second chairman of the Board, was somewhat ambivalent about the board form of organization. He believed that "the Board acquired an impersonal prestige which not only lent weight to its decisions but provided some protection from outside pressures." He acknowledged, however, that "much can be said for the administrative advantages of a single administrator as contrasted with a multi-member board." According to Altmeyer:

While the Board, at the very outset, agreed that it was necessary to delegate administrative authority to an executive director and that it should concentrate on policy matters, it did not actually do so in practice. This was due, in part, to the intrinsic difficulty of separating "policy" from "administration." It was also due to the human desire of individual Board members (including myself) to have a hand in making important decisions.<sup>18</sup>

Board members were unable to agree on selection of an executive director. The result was that, in addition, to the executive director, a coordinator was appointed, each being separately responsible to the board. This arrangement resulted in conflict which was finally resolved by resignation of the coordinator.

As noted by Charles McKinley and Robert W. Frase in their authoritative book on the first years of social security:

By the end of March 1937, only one major administrative conclusion appeared clearly warranted: namely, that the board structure was inadequate for operating the social security program."<sup>19</sup>

S. 216 and H.R. 3150 again assume that it is possible to draw a dividing line between policy and administration by vesting operating authority in an executive director with the same rank as the chairperson and board members. It is doubtful that such a division of responsibilities would be anymore successful in the SSA than it was in the Atomic Energy Commission or has been in TVA. Robert M. Ball, a leading advocate of restoring the board structure, has called attention to the potential for conflict:

I think there is the potential for a problem if the executive director with responsibility for operations has a set term and duties defined in statute that are separate from those of the Board. I think it ought to be made clear that it is the Board that is responsible for the whole program in all its aspects and that they hire a chief executive officer to carry out their will.<sup>20</sup>

#### ANALYSIS OF ARGUMENTS FOR SOCIAL SECURITY BOARD

The strongest and most articulate proponents of a board form of organization concede that single administrators make more effective managers than boards. Robert M. Ball, who established an outstanding record as Commissioner of Social Security from 1962 to 1973, agrees that "if all that was at issue . . . was the efficiency of day-to-day operations, it is probably true that a single head would be a better form of organization."<sup>21</sup> Ball, among others, argues that the case for a board rests mainly on the need to restore public confidence in the integrity of the social security system. In Ball's view a board "is desirable primarily to underline the long-range character and trustee nature of the government's responsibility."<sup>22</sup>

Among the advantages of a board organization, Ball cites the following:

- It would act as a brake on major swings in policy.
- It would be more conservative on administrative reorganizations.
- It would more carefully examine the need for staff reductions.
- It would give greater emphasis to maintaining service levels in negotiations with OMB.<sup>23</sup>

A major objective would appear to be to slow down change.

Whether or not a board would act in the manner anticipated by Mr. Ball is, of course, purely speculative. Experience indicates, however, that the very checks and balances which are seen as a principal advantage of board structure constitute serious handicaps in negotiating with the White House, Congress, OMB and other government agencies. Boards speak with many voices and the chairperson is not in a position to commit the other board members. It was for this reason, for example, that the Atomic Energy Commission found itself at a critical disadvantage in inter-agency negotiations.

Except for the chairman of the Board of Governors of the Federal Reserve System, board chairpersons and members are seldom accorded the rank or prestige of major

agency heads. That is reflected in the fact that, except for the chairmen of the Federal Reserve Board and the Nuclear Regulatory Commission, board chairmen are ranked at Level III of the Executive Schedule—the level of undersecretaries. Members are ranked at Level IV, with assistant secretaries. These rankings are significant because they tend to set the pay cap for the chief executive officer and other agency executives. It would be unprecedented to give the chief executive officer the same rank as the board chairperson, as provided in S. 216.

Board appointments are rarely given high priority by the White House, except for a few positions such as Federal Reserve Chairman. Offices may remain unfilled for considerable periods of time. Through much of the 1970s, there was a vacancy on the TVA board. For a number of months in 1978 and 1979, there were two vacancies on the board, thereby preventing the board from legally functioning.

#### CONCLUSION

In final analysis, public confidence in a government agency is determined by what it does, not by how it is organized. Without question the public lost confidence in the Reconstruction Finance Corporation (RFC), and, in recent years, the Nuclear Regulatory Commission, the Federal Home Loan Bank Board, and Consumer Product Safety Commission because of poor performance attributed to deficiencies of multi-headed administration. Congress replaced the RFC Board with a single administrator because the existence of a five person board had made it possible "for individual members to avoid, obscure, or dilute their responsibility by passing the buck from one to another."<sup>24</sup>

The special inquiry group on the Three Mile Island disaster "found in the Nuclear Regulatory Commission an organization that is not so much badly managed as it is not managed at all." It urged that the commission be abolished and its functions vested in a single administrator.<sup>25</sup> The Federal Home Loan Bank Board proved incapable of acting decisively to deal with the emerging savings and loan crisis. Consequently, it was abolished and responsibility for maintaining the safe and sound operation of savings associations was transferred to a single-headed Office of Thrift Supervision in the Treasury Department. The problems of the Consumer Product Safety Commission are documented by General Accounting Office.<sup>26</sup>

Examples may be cited of single-headed agencies that were grossly mismanaged. In no instance, however, has anyone identified in the form of organization as a cause contributing to poor performance.

It would be regrettable if the debate over organization form were allowed to divert attention from the actions which need to be taken to assure the integrity of the social security system and its efficient operation. Organization under either a single administrator or a board cannot by itself guarantee a satisfactory outcome. What is required above all is the restoration of continuity and professional competence in the leadership and administration of the social security system.

Provision of a fixed term for the administrator would be calculated to foster greater continuity in office and stability in management of the SSA. This has been the experience with the Saint Lawrence Development Corporation and other agencies.

The Congressional Panel on Social Security Organization has identified the critical issues and proposed solutions. Its report should provide the agenda for priority attention by the Congress. If Congress concludes that public confidence requires some form of board supervision or oversight, a bipartisan Advisory Board for Social Security, as recommended by the panel, would have the independence to command public confidence in its evaluation of SSA policies and agency performance. A full-time board would be placed in the position of evaluating itself and its appraisals would inevitably be regarded as self-serving.

#### ENDNOTES

1. Senate Print 204, 98th Congress, 2d. sess, June 12, 1984, p.2. Also published by the National Academy of Public Administration as **The Social Security Administration: Management Reforms as Part of Organizational Independence**, May 1984.

2. *Ibid.* pg. 26-27.

3. Article II, sec. 2, paras. 1 and 2.

4. George Washington. **The Writings of George Washington**, John C. Fitzpatrick, ed. 39v. (Washington: U.S. Govt. Print. Off., 1931-34), XXXII, p. 160.

5. Alexander Hamilton. **The Works of Alexander Hamilton**, J.C. Hamilton, ed. 7v. (New York: John F. Trow, 1850-1851), I, p. 154-155 (September 3, 1780).

6. Lloyd M. Short. **The Development of National Administrative Organization** (Washington: Institute for Government Research, 1923), p. 35.

7. Discussion of the Acts creating the three "great departments" may be found in James Hart. **The American Presidency in Action**, 1789: A Study in Constitutional History (New York: Macmillan Company, 1948), chapter 7.

8. Leonard D. White. **The Federalists: A Study in Administrative History** (New York: Macmillan Company, 1948) p. 513.

9. Prior to 1860, only four permanent "detached agencies" were created: The Library of Congress, the Smithsonian Institution, the Botanic Garden, and the Government Printing Office.

10. Short, **The Development of National Administrative Organization**, p. 422.

11. Herbert Hoover. **The Memoirs of Herbert Hoover: Years of Adventure**, 1874-1920 (New York: Macmillan Company, 1951), pp. 241-2.

12. President's Committee on Administrative Management. **Report with Special Studies** (Washington, U.S. Govt. Print. Off. 1937) p. 32.

13. Senate Environmental and Public Works Committee, Subcommittee on Nuclear Regulation, hearing on S. 908 and other bills, October 29, 1987.

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16. David E. Lillienthal. **The Journals of David E. Lillienthal: The TVA Years 1931-1945, Vol. I**. New York: Harper and Row, 1964 pp. 280-81.

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18. Arthur J. Altmeyer. **The Formative Years of Social Security**, Madison: University of Wisconsin Press, 1968, pp. 45, 46, 168.

19. Charles McKinley and Robert W. Frase. **Launching Social Security: A Capture-and-Record Account, 1935-1937**, University of Wisconsin Press, 1970, p. 474.

20. Robert M. Ball. Statement on S. 216 before the Senate Finance Committee, Subcommittee on Social Security and Family Policy, June 2, 1989.

21. Quoted in David Koitz. What would it mean to make the Social Security Administration an Independent Entity, Congressional Research Service, Library of Congress, May 12, 1989, p. 14.

22. *Ibid.*

23. Robert M. Ball. *op. cit.*

24. Senate Report No. 76, 82nd Congress.

25. Nuclear Regulatory Commission, Special Inquiry Group, Report to Commissioners and Public, Vol. I, January 1980, p. 112, 116.

26. General Accounting Office, *op. cit.*

#### SEPARATE STATEMENT ON ORGANIZATION OF AN INDEPENDENT SOCIAL SECURITY ADMINISTRATION

[By Robert M. Ball and Arthur S. Flemming]

We believe it would add significantly to public understanding of the trustee character of Social Security as a retirement and group insurance plan if the program were administered by a Board directly under the president. Social Security, with over 60,000 employees and some 1,300 district offices across the country, is one of the very largest direct line operations of the federal government. It does not make sense, administratively, to have this huge program, which intimately touches the lives of just about every American family, operated as a subordinate part of another government agency.

The management of Social Security could be made more responsive to the needs of its beneficiaries and contributors if it were free from the frequent changes in the levels of service to the public which grow out of short-term decisions about employment ceilings and the varying management value systems which follow the frequent changes of Health and Human Services secretaries and their immediate staffs. But, most important, an independent Board would be visible evidence that contributory social insurance was a trust responsibility with commitments for the future and therefore different from other government programs.

Just about every American has a major stake in protecting the long-term commitments of the Social Security program from fluctuations in politics and policy. The administration of Social Security by a separate Board would strengthen public confidence in the security of the long-run commitments of the program and in the freedom of the administrative operations from short-run political influence. It would em-

phasize the fact that in the government is acting as trustee for those who have built up rights under the system.

We are, therefore, very much in favor of the passage of S. 216. It seems to us that setting up Social Security as an independent agency under a bipartisan Board is particularly important at this time. There has been an erosion of public confidence in the system due in part to financial problems in the late 1970s and early 1980s. Although the financing of the program is now on a sound basis, it is going to take some time to restore full public confidence. Making the program an independent agency under a Board form of organization with bipartisan membership would be a helpful step in bringing about this much-needed restoration of confidence.

The issues here are not by any means entirely administrative. The argument for an independent agency is largely administrative, but the argument for the Board form of organization—on a bipartisan basis with the continuity arising from term appointments—is desirable primarily to underline the long-range character and trustee nature of the government's responsibility. In addition, the fact that the Board is bipartisan acts as a brake on major swings in policy, particularly those of doubtful validity.

It seems unlikely that, under a Board form of organization, we would have had the major shifts in the administration of the disability program that have characterized the last several years. A Board, with a minority member, would have been unlikely to remove hundreds of thousands of people from the disability rolls and later restore benefits to a large percentage of them through the appeals process. Nor would a Board have adopted a policy stance that caused many governors, under contract with Social Security, to refuse to carry out Social Security's directions. A Board would have been unlikely to pursue a course overturned by the courts in literally hundreds of cases. We would have expected, rather, that at least the minority member of the Board would have raised public questions about the policy before it was adopted. It is even more likely that a majority of the Board would have thought a long time before adopting such a damaging set of policies. Under the organizational set-up in effect the 1980s, policy seems to have gone directly into action by agreement between the Office of Management and Budget (OMB) and the commissioner of social security without much review, certainly without a bipartisan review.

Even on smaller matters such as administrative reorganizations, we believe a Board would have been more conservative, and advisedly so. For awhile, Social Security seemed to be getting a new commissioner every year or two and with each new one, a sweeping reorganization. Such constant change is damaging to performance.

Another example of an administrative decision where the checks and balances of a bipartisan board might have been useful is in the planned reduction of Social Security's staff over the six year period from 1984 to 1990. The plan has been for a 20 percent reduction from the 1984 full-time equivalent level of approximately 80,000 people down to 63,000.

There is little doubt but that some reduction in staff has been desirable due to the further automation of social security procedures. But, a question can be legitimately raised about the plan adopted. It may be true, as some studies have suggested, that Social Security is delivering a level of service that the public perceives as not greatly inferior to what it delivered in 1984. However, we believe a bipartisan Board would have carefully examined whether service could and should have been improved from the 1984 level as automation was further introduced, rather than translating the technological advances entirely into reduced staffing.

We believe, too, a bipartisan Board would have looked at some of the less visible operations of Social Security—the selection of representative payees and an accounting of their trusteeship, the reinvestigation of disability recipients diaried for possible recovery, post-entitlement work generally and the administration of the Supplemental Security Insurance program, including the vigor of the outreach program.

The reduction of 17,000 full-time equivalent positions was a number negotiated with OMB primarily to reduce administrative costs. But, in the Old Age and Survivor Disability Insurance Program, the more relevant question may be how to maintain good public service and how to improve service, not how to get by with fewer people. A bipartisan Board might well have taken the view that—since administrative costs are only about one cent out of each social security dollar and are paid for out of dedicated deductions from workers' earnings and matching contributions from employers—savings from automation should go first to improved service. This could include making sure that district offices are efficient and pleasant places for the public to carry on its business with Social Security; there is adequate outreach service from the district offices to people who have difficulty getting to the office; there is adequate public information activity; handicapped people have sufficient help



with their Social Security business; the telephone service is adequate so that people do not have to wait on the phone for long periods of time to reach an office; and the administrative values are those of the highest level of a public service agency.

What has actually happened is a negotiated arrangement between Social Security and OMB, with the emphasis on reducing staff and lowering administrative cost and without the kind of emphasis on service levels that is important in this kind of program. It may even be that saving administrative money has cost more in benefit payments because of an inability to pay proper attention to the integrity of the payment rolls. We believe a bipartisan Board very likely would have done better, or the minority member would have made an issue of it, just as we believe he or she would have protested the policy decisions that led to the disability disaster.

So, there is in the bipartisan Board organization, we believe, a check on the unwise action as well as an institutional arrangement which will give people confidence in handling the finances of the program and confidence in the objectivity of administration. By and large, these, rather than day-to-day administrative efficiency, are the advantages of a Board form of organization.

We also wish to point out that those who advocate an independent agency under the direction of a single individual rest their case, to a considerable extent, on the possibility of overlapping functions between the Board and an administrator. They argue that distinctions between policy and administration are not clear enough to keep the chair of the board and the administrator out of each other's hair. They argue that getting agreement within a Board is inherently more difficult than the decision of one person, and that if you have both a Board and an administrator you compound the difficulty of responding quickly to administrative problems or carrying out day-to-day operations. They make a good point. If all that was at issue was the efficiency of day-to-day operations, it is probably true that a single head would be a slightly better form of organization. But, as we have tried to point out, there is much more at stake here than day-to-day operations. Still, it is desirable to set up the Board organization so as to minimize any potential for conflict between the Board chair and executive director, the day-to-day operator.

The relationship that we envision is not too different from that of the chair of a board of a corporation or a non-profit organization and the chief executive officer. We would give the Board responsibility for selecting the top administrator, as the bill does, but we would also give the Board the power to define the duties of the job and remove the top administrator in the unusual situation where they could not get along. We think there is the potential for a problem if the executive director with responsibility for operations has a set term and duties defined in statute that are separate from those of the Board. We think it ought to be made clear that the Board, in all respects, is the top authority—that it is the Board that is responsible for the program in all its aspects and that they hire a chief executive officer to carry out their will. We hope the legislation would put all responsibility in the board and let them get the help they need to carry out the work.

This would not by any means result in frequent turnover in the administrator any more than is the case in a corporation in which the board of directors hires and fires the chief executive officer. A board will not go to the trouble of selecting a top officer of the caliber needed for this job and then force him or her out without good reason. That just makes their life more difficult. I believe a Board will be very responsible in selecting a person whose primary duties are administrative and will stick with him or her as long as that chief executive officer is doing a good job. But, it is important that it not be too difficult for the Board to replace that officer in the event that things do not go well.

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**Robert M. Ball**—Consultant, Washington, D.C.; Former Commissioner of Social Security; Deputy Director, Bureau of Old Age and Survivors Insurance, Social Security Administration; Senior Scholar, Institute of Medicine, National Academy of Sciences.

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**Ronald C. Moe**—Specialist in American Government, Congressional Research Service, Library of Congress; other positions have included posts in the Executive Office of the President, the Department of Health, Education and Welfare, and San Diego State University.

**Harold Seidman**—Guest Scholar, Center for the Study of American Government, The John Hopkins University; Former Guest Scholar, Brookings Institution; Professor, Department of Political Science, The University of Connecticut; Scholar in Residence, National Academy of Public Administration; Assistant Director for Management and Organization, U.S. Bureau of the Budget.

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## COMMUNICATIONS

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AMERICAN BAR ASSOCIATION, GOVERNMENTAL AFFAIRS OFFICE,  
Washington, DC, September 28, 1993.

Hon. DANIEL PATRICK MOYNIHAN, *Chairman,*  
*Committee on Finance,*  
*U.S. Senate,*  
*Washington, DC.*

Dear Mr. Chairman: On September 14, 1993 your Committee held hearings on legislation to establish the Social Security Administration as an independent agency. We respectfully request that this letter be included in the record of those hearings.

The American Bar Association has been on record in support of legislation to establish the Social Security Administration as an independent agency since August 1990. The ABA believes that enactment of such legislation is long overdue.

Existing as a subordinate entity of Health and Human Services has had many adverse effects on the Agency. Efforts by SSA to develop and implement policy have become virtually ineffective because of the unstable situation that has resulted from the frequent turnover of Social Security Commissioners and senior staff and because of numerous reorganizations of the SSA. As of this date, for example, SSA has been without a permanent Commissioner for nearly a year. SSA has undergone several major reorganizations since 1975 that have displaced personnel at all levels and created repeated changes in responsibilities for program administration and policy development.

Also, under present law, the Managing Trustee of the Social Security Trust Fund is the Secretary of the Treasury. The Secretary, of course, has as his or her primary role the duties of chief financial officer of the government.

Because of this, a conflict of interest exists between preserving the Social Security fund or tapping the money in the fund for other governmental purposes.

The Association has not adopted policy specifically relevant to the pending question of how an independent SSA should be governed. However, it is clear to us that it is extremely important that the Agency be independent. We urge speedy enactment of legislation to make SSA an independent agency.

Sincerely,

ROBERT D. EVANS, *Director.*

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